

AWARENESS OF INCOME TAX ON PENSION

**Financial Year : 2023-2024
Assessment Year : 2024-2025**

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A. Quoting 'PAN' number is Compulsory for Prescribed Transactions

1. Immovable Property (Rs. 5 lakhs or more)
2. Motor Vehicle (Four Wheelers)
3. Bank Deposits (Exceeding Rs. 50,000 /-)
4. Post Office Deposits (Exceeding Rs. 50,000 /-)
5. Securities Transactions (Exceeding 10 Lakhs)
6. Opening Bank Accounts
7. Telephone Connections.
8. Hotel Bill (Exceeding Rs. 25,000 /- at any time)
9. Cash Deposit of Rs. 50,000 /- or more in Bank in 1 day.

Note :

- i. Tax Papers are liable to furnish Aadhar Number and PAN Number in their Returns (Sec. 139AA and Sec.206AA)
- ii. 'PAN' Number is compulsory in case of any sum or income or amount in which Tax is deductible.
- iii. The Aadhar and PAN Card linking is mandatory.

B. Income Tax on Pension

1. According to the Finance Act, Income Tax is required to be deducted under section 192 of Income Tax Act 1961, from Income (Pension).
2. 'Assessment Year' means the period starting from April 1 and ending in 31 st March of the Next year 'Previous Year' means the financial year immediately preceding the Assessment Year.
 - i. Assessment Year - 2024-2025
 - ii. Previous Year - 2023-2024
3. It is mandatory to file income tax return under sec. 139 – In case of senior citizens, if annual income plus other income exceeds Rs. 3,00,000 /- even if a person's Tax liability would be 'Nil' after availing relevant exemption it is mandatory to file ITR. The penalty for Non – filing ITR ranging from Rs. 1000 /- to Rs. 10,000 /-. Hence it becomes necessary for those who are having Annual income exceeds the limit i.e, Rs. 2,50,000 / - Rs. 3,00,000 / - Rs. 5,00,000 /- as the case may be depending upon the age of the pensioner.

4. No Tax will be required to deduct at source in any case, unless the estimated pension for the Financial year exceeds Rs. 2,50,000 /- Rs. 3,00,000 / - Rs. 5,00,000 /- as the case may be depending upon the age of the pensioner.
5. Individual who attains the age of 60 years any time during the financial year and those who are 60 years and above are considered as 'Senior Citizens' From 1-04-2021, individuals who are 80 years of age and above are considered as 'Very Senior Citizens'.
6. In case of Senior Citizens of the age of 75 years or above having pension income and interest income only from the accounts maintained with a Bank / Post Office, in which they receive such Pension, such Senior Citizens shall not be required to file I.T.R. The Bank shall be responsible for computing their total income and deducting Tax thereon, after giving effect to various deductions allowable under Chapter – VI A u/s 87A of the Act.
7. A Senior Citizen may submit Form H to the Bank / Post Office for Non – Deduction of TDS on certain income, if the Tax on his / her estimated total income of the concerned year comes at 'Nil', at the beginning of the Financial Year to avail Tax Deductions.
8. Sec.203 requires the DDO to furnish to the pensioner a certificate in Form – 16, detailing the amount of TDS. Rule 31, prescribes that Form – 16 should be furnished to the pensioner by 15th June after the end of Financial Year in which income was paid and Tax deducted.
9. Tax Payers may furnish particulars of under any head other than pension received.
Sec. 192(2-B)
10. 'Family Pension' is chargeable to tax under head 'Income from other Sources' and not under head 'Salaries'. Therefore provisions of section 192 of the Act are not applicable. Hence, DDO's are not required to deduct TDS on Family Pension paid to person.

11. Interest earned on Retirement Gratuity in respect of BSNL (VRS Scheme) Retiree is liable for Income Tax.

12. The ITR can be filed even by those having income less than taxable limit or having no Income Tax, at all.

13. There is no obligation to issue TDS Certificate in case TDS Not deductible.

C. Rates of Tax

i. (Old Tax Regime)

Financial Year - 2023-2024

Assessment Year - 2024-2025

Rates of Tax

i. Pensioner who is below the Age of 60 years (Normal Rates of Tax)

1	Where the total income does not exceed Rs. 2,50,000/-	Nil
2	Where the total income exceeds Rs. 2,50,000/- but does not exceed Rs. 5,00,000 /-	5% of the amount by which the total income exceeds Rs. 2,50,000/-
3	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000 /-	Rs. 12,500 + 20% of the amount by which total income exceeds Rs. 5,00,000/-
4	Where the total income exceeds Rs. 10,00,000/-	Rs. 1,12,500 /- + 30% of the amount by which total income exceeds Rs. 10,00,000/-

ii. Pensioner who is of the Age of 60 years or more but less than 80 years at any time during the Financial Year. (Senior Citizens)

1	Where the total income does not exceed Rs. 3,00,000/-	Nil
2	Where the total income exceeds Rs. 3,00,000/- but does not exceed Rs. 5,00,000 /-	5% of the amount by which the total income exceeds Rs. 3,00,000/-
3	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000 /-	Rs. 10,000 + 20% of the amount by which total income exceeds Rs. 5,00,000/-
4	Where the total income exceeds Rs. 10,00,000/-	Rs. 1,10,000 /- + 30% of the amount by which total income exceeds Rs. 10,00,000/-

- iii. Pensioner who is of the Age of 80 years or more at any time during the Financial Year.

1	Where the total income does not exceed Rs. 5,00,000/-	Nil
2	Where the total income exceeds Rs. 5,00,000/- but does not exceeds Rs. 10,00,000 /-	20% of the amount by which the total income exceeds Rs. 5,00,000/-
3	Where the total income exceeds Rs. 10,00,000/-	Rs. 1,00,000 /- + 30% of the amount by which total income exceeds Rs. 10,00,000/-

II. (New Tax Regime) Rates of Tax

Sl.No	Total Income	Rate of Tax
1	Up to Rs. 3,00,000	Nil
2	From 3,00,001 to Rs. 6,00,000	5%
3	From 6,00,001 to Rs. 9,00,000	10%
4	From 9,00,001 to Rs. 12,00,000	15%
5	From 12,00,001 to Rs. 15,00,000	20%
6	Above Rs. 15,00,000	30%

Note :

- Individual may exercise option either to choose 'old Tax Regime 'or 'New Tax Regime' according to his/her convinent in respect of a previous year to be Taxed. If no option given Income Tax will be calculated with reference to New Tax Regime.
- Individual Tax payers who are in the lower bracket, i.e, having total income not exceeding Rs. 5,00,000 /- will get rebate available under sec. 87A is Rs. 12,500 /- or the amount of Tax Payable, whichever is less under Old Tax Regime.
- In respect of New Tax Regime total income not exceeding Rs. 7,00,000 /- will get rebate under Sec. 87A is Rs. 25,000 /- or the amount of Tax Payable whichever is less .(Deduction under sec 80C TO 80- U are not available)

- III. Health and Education cess shall be levied at the rate of 4% of Income Tax including - surcharge, wherever applicable. No marginal relief shall be available in respect of such cases.

D. **Incomes not included under the head 'Salaries'.**

The following income received by the Pensioner are exempt from Income Tax and shall not be included in computing the income from pension for the purpose of section 192 of Income Tax.

1. Death – Cum – Retirement Gratuity Sec 10 (10)
2. Commutation value payment Sec 10 – (10A)
3. Leave encashment sec 10-10A. (In r/o BSNL retires Rs. 25 Lakhs)
4. G.P.F Amount (10-(11))
5. Sum received under LIC Insurance Policy 10-10D
6. Transport Allowance
7. Payment from an account opened in Sukanya Samriddhi Account (10-(11A))
8. Any payment from NPS Trust (10-12A)
9. Scheme of voluntary Retirement (BSNL) amount does not exceed Rs. 5,00,000/- (10-10C)
10. Payment from NPS Trust 80- CCD on partial withdrawals 25% of the amount of contribution made by him/her.

E. **Deduction under Sec. 16 of the Act**

1. Standard Deductions under Sec 16(i a) to the extent of Rs. 50,000 /- or the amount of Pension, whichever is less shall be allowed.
- F. Interest on borrowed capital for purchase of construction etc of the house is deductible from Gross Income, maximum Rs. 2,00,000 /- Sec.24(B).

G. The Income chargeable under the head 'Income From Other Sources' shall be computed after making the following deductions, namely-

In case of income in the nature of '**Family Pension**' a deduction of a sum equal to 33.33% of the such income or Rs. 15,000 /- whichever is less. Sec 57 (ii a)

H. Deductions under Chapter – VI A of the Act

i. **Rebate under Sec. 80 - C.**

1. Payment of Insurance Premium (Self / Spouse/Child)
2. Payment made to Deferred Annuity (Self / Spouse/Child)
3. Any Contribution made to any provided Fund.

4. Deposit made in Sukanya Samriddhi Account.
 5. National Saving Scheme – Certificates VIII / IX Issue.
 6. Investment in 5 year Time Deposits.
 7. Public Provident Fund Account
 - 8.
 9. Investment in Senior Citizens Scheme – 2004
 10. Contribution on unit linked Insurance policy 1971 of UTI or LIC for Self / Spouse/Child.
 11. LIC mutual Fund
 12. Annuity plan of LIC or other Insurer, New Jeevan Dhara / New Jeevan Dhara – I / New Dhara Akshaya, New Jeevan Akshaya/,New Jeevan Akshaya II/III.
 13. Mutual Fund referred UTI Equity Linked Saving Scheme 1992/1998/2005.
 14. Subscription National Housing Bank.
 15. Public Deposit Scheme of HUDCO.
 16. Repayment of loan for construction of House borrowed from Bank / LIC / NHB/Other Company.
 17. Tuition fee paid to 2 childrens
 18. Subscription to Equity Shares / Debentures
 19. Investment in Bank – 5 Year Time Deposits.
 20. Subscription – Bank issued by NABARD.
 21. Insurance Policy other than Deferral Annuity.
- Note : The maximum Rebate on the above saving shall be Rs. 1,50,000 /- only.

ii. Section – 80- CCC

Where a Pensioner has deposited any amount for any Annuity Plan of LIC or any other Insurer for receiving pension from fund shall be allowed deduction in the total income not exceeding Rs. 50,000 /-

iii. Section - 80-CCD (i)

Contribution to New Pension Scheme limited to 10% of salary (by an Employee) – Deduction under Sec. 80 CCD (1B), not exceeding Rs. 50,000 /-. This shall be allowed whether or not any deduction is allowed under section 80CCD (1).The same amount can not be claimed under sec. 80CCD (1) and (1B). Sec 80CCD (2) 10% contributed by Government.

iv. Section 80 – CCE

The aggregate amount of deduction under 80 C + 80 CCD (1) + 80CCC shall not exceed Rs. 1,50,000 /- contribution by Govt under 80CCD (2) shall be excluded from limit of Rs. 1,50,000 /-

The deduction allowed under 80CCD(1B) is an additional deduction in respect of any amount paid in NPS up to Rs. 50,000 /-

v. Section 80-CCG

Investment made in Rajiv Gandhi Equity Savings Scheme 2012, amount limited to 50% of amount invested or Rs. 25,000 /- whichever is less. The deduction under this Section is available with certain conditions prescribed accordance with RGESS – 2013.

Deduction in respect of health insurance premia paid, etc. (Section 80D)

Particulars	Case – 1		Case -2		Case -3	
	Self & Family (No one of them is a senior citizen) (Rs.)	Parents (no one of them is a Senior citizen) (Rs.)	Self & Family (No one of them is a senior citizen) (Rs.)	Parents (at least one of them is a senior citizen) (Rs.)	Self & Family (at least one of them is a senior citizen) (Rs.)	Parents (at least one of them is a senior citizen) (Rs.)
Medical Insurance, etc*	25,000	25,000	25000	50,000	50,000	50,000
Medical Expenditure **	-	-	-	50,000	50,000	50,000
Maximum deduction allowable	25,000	25,000	25,000	50,000	50,000	50,000
Aggregate amount of deduction allowable under section 80D	50,000		75,000		1,00,000	

Includes (i) contribution to the Central Government Health Scheme / notified scheme for self & family; and (ii) amount paid for preventive health check –up up to Rs. 5,000/-

**Allowable only if no amount is paid for medical insurance.

Note 1: The payment for preventive health check – up can only be made in cash, other payments must be made by non – cash mode.

Note 2 : Finance Act , 2018 amended section 80D of the Act to provide that in case of single premium health insurance policy having cover of more than one year, the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the monetary limits specified above.

vi. Sec. 80-DD

- i. Pensioner incurred any expenditure for the treatment (including nursing), training and rehabilitation of a dependent, being a person with disability.
- ii. Paid or Deposited any amount framed in this behalf by the LIC / Other Insurer / Company for maintenance of a dependent being a person with disability Rs. 75,000/-, person with sever disability will be Rs. 1,25,000 /- shall be deducted subject to the specified conditions.

vii. Sec. 80-DDB

Pensioner actually incurred any expenditure on the medical treatment of such disease or ailment as may be specified in the Rule 11-DD.for himself / or a dependent.

In respect of self or Dependent	Rs. 40,000 /-
In respect of Senior Citizen	Rs. 1,00,000 /-

The deduction allowed is equal to the amount actually paid or above mentioned amount ,whichever is less.

“11D. Specified diseases and ailments for the purpose of deduction under section 80DDB – (1) For the purpose of Section 80DDB, the following shall be the eligible diseases or ailments :-

- i. Neurological Diseases where the disability level has been certified to be of 40 % and above
 - a) Dementia
 - b) Dystonia Musculorum Deformans
 - c) Motor Neuron Disease
 - d) Alaxia
 - e) Chorea
 - f) Hemiballismus

- g) Aphasia
- h) Parkinsons Disease
- ii. Malignant Cancers
- iii. Full Blown Acquired Immuno – Deficiency Syndrome (AIDS)
- iv. Chronic Renal Failure
- v. Haematological disorders :
 - i. Haemophilia
 - iii. Thalassaemia

Govt Of India Ministry Of Finance (CBDT) Notification No. 246/2003/ F. No 142/17/2003 – TPL dated 17-10-2003.

viii. Sec. 80-E

- i. A deduction will be allowed in respect of repayment of loan taken for higher education graduate / postgraduate course in Engineering Medicine, Management postgraduate course in applied sciences or pure sciences including mathematics and statistics.
- ii. Deduction will be allowed succeeding 7 F.Y. or until the F.Y. in which interest is paid in full whichever is earlier.

ix. Section 80 – EEB

Sec. 80 EEB allows deduction from Gross income of an individual in respect of interest payable on loan taken by him from any financial institution for purchase of electric vehicle, if loan has been sanctioned before 31-03-2023 not exceeding Rs. 1,50,000 /-.

x. Section 80 –G

This section provides deductions on account made to various funds, charitable organization etc., No deduction under this section is allowable in case the amount of donations exceeds Rs. 2,000 /- unless the amount is paid by any mode other than cash.

xi. Section 80 – GG

The deduction to be allowed in respect of any expenditure incurred by pensioner towards payment of Rent for any accommodation occupied by him for purpose of

his own residence shall be allowed provided he files the declaration in Form – 10BA.

He will be entitled to a deductions in respect of house rent paid by him in excess of 10 % of his total income subject to a limit of 25% thereof or Rs. 5,000 /- per month, whichever is less. (Total income for working out these percentage will be computed before making any deduction under Sec. 80-GG.

Deduction under Sec. 80 –GG not applicable in respect of pensioner is having own house himself / his spouse/ or minor child.

The Relief under this Sec. 80 –GG is available under Rule 11-B only for cities and towns notified.

xii. Sec. 80-U

Sec. 80-U allows deductions in respect of pensioner, who is suffering from permanent physical disability including blindness or is subject to mental retardation. Specified in Rule 11-D of Income Tax Act 1963 duly certified by the Doctor.

Pensioner himself with disability

- i. Person with Disability Rs. 75,000 /-
- ii. Person with server Disability Rs. 1,25,000 /-

Note 1: Requisite certificate issued by the medical authencity may be furnished.

Note 2 : DDO's should note that 80DD deductions in case of dependent of the employee whereas 80 –U deduction is in case of employee himself.

xiii. Sec. 80 – TTA

A Pensioner not being a Senior Citizen whose gross income including interest on Deposits (Not being Time Deposit, Time Deposits means the deposits repayable on expiry of fixed periods) in a 'Savings Account' deduction will be allowed to extent of

- a) In case where the interest on deposit does not exceeds Rs. 10,000 /-, the whole amount of such amount.
- b) If it exceeds Rs. 10,000 /- amount will be restricted to Rs. 10,000/- only.

Note :- This deduction is available if such Saving Account is maintained in Bank Co-operative Society, Post Office.

xiv. Sec. 80 TTB

Where the Gross Total Income of Sr. Citizens include any income by way of interest on deposit with Bank / PO/Co – operative Society, a deduction may be allowed to the extent of (Amount of Interest received or Rs. 50,000 /- whichever is less)

Senior Citizens means an individual who is the age of 60 years or more at any time during relevant previous year.

Note :

1. Interest credited to P.P.F Account is exempt from I.T.
2. P.P.F Amount received on maturity is Tax free.
3. Interest received in P.O SB A/C up to Rs. 3500/-is exempt from Tax Sec. 10(15)(i) Income Tax Act 1961. It shall be availed inconjunction with 80 TTA and 80 TTB.
4. If any amount including interest accrued thereon is withdrawn from his/her Account expiry of 5 years from Date of Deposits in r/o S.C.S.S / 5 years TD, the amount so withdrawn shall be deemed to be the income and sum amount withdrawn shall be liable to tax in the A.Y. relevant to sum P.Y (Sec. 80 C A)
5. Interest and Final payment of Sukanya Samruddhi Yojana Account are exempt from Tax (10-11A).

Relief When Pension Paid in Arrears Sec. 89 (1)

DDO's can take into consideration in Sec.89 (1) of the Act 1961, Where Pensioner / Family Pensioner received arrears of Pension / Family Pension during the Financial year for relief under sec. 89(1) enables the Assesse to spread over arrears of Pension to the respective years which will help to reduce or avail liability it is open to the Tax Payers to avail the benefit under 89 (1)

Reverse Mortgage Scheme – The transfer of a residential house property by way of Reverse Mortgage Scheme for Senior Citizens, is not liable to be taxed.

Conclusion :

The above information given only with a view to guide our Pensioners and Family Pensioners to understand the various provisions relating to deduction of Income Tax from person as envisaged in the Income Tax Act 1961. In case of any doubt, PRO of Income Tax Department may be contacted or reference may be made to provision of Income Tax, the relevant notifications / circulars website www.incometaxindia.gov.in.