

# Waive tax on senior citizens savings schemes' interest: SBI report

Our Bureau Mumbai | Updated on January 19, 2020 Published on January 19, 2020

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The interest on the Senior Citizens Savings Scheme (SCSS) should be given full tax rebate as the revenue foregone by the government could be only ₹3,092 crore, with minimal impact on the government's fiscal deficit, according to State Bank of India's research report Ecowrap.

The report assessed that there are around 4.1 crore Senior Citizens term deposits accounts in the country with total deposit of ₹14-lakh crore.

The average deposits size per account is around ₹3.3 lakh and interest income from such deposits forms 5.5 per cent of Private Final Consumption Expenditure in FY19.

“It is imperative that the government exempts such interest income from taxes/or increase the threshold limit,” said Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI.

Under SCSS, a senior citizen can deposit ₹15 lakh and the current interest rate is 8.6 per cent. However, the interest on SCSS is fully taxable which is a major drawback of this scheme (the interest amount for ₹1 lakh deposit for 5 years is around ₹51,000 which is taxable), the report said. The March 2018 outstanding under SCSS was ₹38,662 crore.

## Increase PPF limit

The report said that incentivising savings is one way of making up for the revenue loss due to tax rationalisation.

When the government had notified increase in PPF (public provident fund) limit by ₹50,000 to ₹1,50,000 in August 2014, Ghosh noted that its impact on household savings was enormous. During FY15 over FY14, Provident and Pension Funds increased by merely ₹13,000 crore but during FY16 over FY15, it increased by more than ₹1-lakh crore.

“We believe that an increase in PPF limit by ₹1 lakh to ₹2.5 lakh for individual households under 80C will lead to additional savings of more than ₹2-lakh crore compared to the revenue foregone of ₹23,000 crore.

“Even we add up the extra interest burden of around ₹17,000 crore at the rate of 8.5 per cent on ₹2-lakh crore), the total revenue foregone is only ₹40,000 crore compared to ₹2-lakh crore jump in savings (incentive saving multiplier is at least five times more),” said Ghosh.

Published on January 19, 2020

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