

Tax Benefit For Elderly: Post Office Investors

In a pre-budget bonanza for senior citizens and the common man, the government has decided to extend the benefit of Section 80C of the Income Tax Act to the Senior Citizens Saving Scheme and five-year Post Office Time Deposit account. This will be applicable from April 1, 2007.

In addition, the government has announced that a bonus at the rate of 5 per cent will be paid on the Post Office Monthly Income Account at the time of repayment on maturity. Together with the bonus, the effective yield will be 8.9 per cent.

Exemption under this section of the Act is already applicable to life insurance schemes, provident funds, national savings certificates and equity-linked mutual funds.

The post-office deposit account is for those who want to invest a lumpsum. It offers an interest rate of 7.5 per cent. The minimum investment in such a scheme is Rs 200 while there is no prescribed upper limit. One can take a loan against a time deposit with the balance in the account pledged as security.

The Senior Citizens Savings Scheme was started in 2004 and carries an interest rate of 9 per cent per annum. The scheme has a five-year maturity period, extendable by another three. The minimum investment is Rs 1,000 or in multiples of Rs 1,000 subject to a maximum of Rs 15 lakh. People above 60 years of age as well as those who have taken voluntary retirement and attained the age of 55 are eligible.

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