

INCOME-TAX AND TAX BENEFITS FROM LIFE INSURANCE

A] INCOME-TAX RATES FOR ASSESSMENT YEAR 2016-2017 (FINANCIAL YEAR 2015-2016)

Income Slabs			Tax Rates
Individual & HUF below age of 60 years	Individual 60 years of age and more but less than 80 years	Individual 80 years of age and more	
Income upto Rs.2,50,000	Income upto Rs.3,00,000	Income up to Rs. 5,00,000	NIL
Rs.2,50,010 to Rs.5,00,000	Rs.3,00,010 to Rs.5,00,000	--	10%
Rs.5,00,010 to Rs.10,00,000	Rs.5,00,010 to Rs.10,00,000	Rs.5,00,010 to Rs.10,00,000	20%
Above Rs.10,00,010	Above Rs.10,00,010	Above Rs.10,00,010	30%

Surcharge : In the cases of persons covered under the above categories having a total income exceeding one crore rupees, the income tax as calculated above be increased by a surcharge at the rate of twelve per cent of such income- tax.

Education Cess : An additional surcharge called as 'Education Cess' is levied at the rate of 2% on the amount of Income tax and surcharge in all cases shall be levied.

Secondary and Higher : An additional surcharge, called the "Secondary and Higher Education Cess on income-tax" at the rate of 1% of income-tax and surcharge (not including the "Education Cess on Income-tax") in all cases shall be levied.

B] SOME IMPORTANT INCOME TAX BENEFITS AVAILABLE UNDER VARIOUS PLANS OF LIFE INSURANCE ARE HIGHLIGHTED BELOW:

1) Deduction allowable from Income for payment of Life Insurance Premium (Sec. 80C).

(a) Life Insurance premia paid in order to effect or to keep in force an insurance on the life of the assessee or on the life of the spouse or any child of assessee & in the case of HUF, premium paid on the life of any member thereof under an insurance policy, (other than a contract for a deferred annuity,) issued on or after 1st April 2003 but issued on or before the 31st day of March 2012 shall be eligible for deduction only to the extent of 20% of the actual capital sum assured.

(b) Life Insurance premia paid in order to effect or to keep in force an insurance on the life of the assessee or on the life of the spouse or any child of assessee & in the case of HUF, premium paid on the life of any member thereof, under an insurance policy, (other than a contract for a deferred annuity,) issued on or after the 1st day of April 2012 shall be eligible for deduction only to the extent of 10% of the actual capital sum assured.

Where the policy, issued on or after the 1st day of April, 2013, is for insurance on life of any person, who is—

(i) a person with disability or a person with severe disability as referred to in section 80U, or

(ii) suffering from disease or ailment as specified in the rules made under section 80DDB,

deduction under this section is allowed only to the extent of 15% of the actual capital sum assured.

(c) Contribution to deferred annuity plans in order to effect or to keep in force a contract for deferred annuity, on his own life or the life of his spouse or any child of such individual, provided such contract does not contain a provision to exercise an option by the insured to receive a cash payment in lieu of the payment of annuity is eligible for deduction.

(d) Contribution to Annuity Plans – New Jeevan Dhara , New Jeevan Dhara-I & Jeevan Akshaya – VI.

2) Jeevan Nidhi Plan & New Jeevan Suraksha - I Plan (U/s. 80CCC)

A deduction to an individual for any amount paid or deposited by him from his taxable income in the above annuity plans for receiving pension (from the fund set up by the Corporation under the Pension Scheme) is allowed upto Rs. 150000 within overall limit in section 80CCE.

NOTE: The aggregate amount of deduction under u/s 80C, 80CCC & 80CCD(1) shall not in any case exceed one lakh fifty thousand Rupees .

3) As per new subsection (1B) to section 80CCD additional deduction in respect of any amount paid up to Rs. 50000 for contributions made by any individual assessee under the NPS.

4) Deduction under section 80D

- a) Deduction allowable upto Rs.25,000/- if an amount is paid to keep in force an insurance on health of assessee or his family (i.e. Spouse & dependent children) or any contribution made to the central Government Health Scheme or such other scheme as may be notified by the Central Government in this behalf or on account of Preventive health check –up of the assessee or his family .
- b) Additional deduction upto Rs.25,000/- if an amount is paid to keep in force an insurance on health of parents or on account of Preventive health check –up of the parent of the assessee, whether dependent or not .
- c) In case of HUF, deduction allowable upto Rs.25,000/- if an amount is paid to keep in force an insurance on health of any member of that HUF
- d) If the sum specified in (a) or (b) or (c) is paid to effect or keep in force an insurance on the health of any person specified therein who is a senior citizen, then the deduction available will be up to Rs.30,000/-. Here senior citizen means the person who is of sixty year or more during the previous year.
- e) In Case the amounts are paid in (a) or (b) or (c) on account of preventive health check up , the deduction for such amounts shall be allowed to the extent it does not exceed in aggregate Rs. 5,000 /-.
- f) For the purpose of deduction , the payment shall be made by
 - i. Any mode, including cash. In respect of any sum paid on account of preventive health check up .
 - ii. Any mode other than cash in all other cases.
- g) The insurance as mentioned above shall be in accordance with the scheme framed by
 - i) the General Insurance Corporation of India as approved by the Central Government in this behalf or;
 - ii) Any other insurer and approved by the Insurance Regulatory and Development Authority.

5) Jeevan Aadhar Plan (Sec.80DD) :

Deduction from total income upto Rs.75000/- allowable on amount deposited with LIC under Jeevan Aadhar Plan, for maintenance of an handicapped dependent (Rs.1,25,000/- where handicapped dependent is suffering from severe disability)

6) Exemption in respect of commutation of pension under Jeevan Suraksha & Jeevan Nidhi Plans:

Under Section 10(10A) (iii) of the Income-tax Act, any payment received by way of commutations of pension out of the Jeevan Suraksha & Jeevan Nidhi Annuity plans is exempt from tax.

7) Income tax exemption on Maturity/Death Claims proceeds under Section 10(10D)

As per Section 10(10D) of the Income Tax Act, 1961, any sum received under a Life Insurance Policy, including the sum allocated by way of bonus on such policy is exempt from tax where the sum is received as a death benefit However, to get exemption under above section for sum received other than death benefit

- Policy shall not be issued under Section 80DD(3), or
- Policy shall not be issued as a Keyman Insurance Policy, or

- policy which has been issued on or after April 1, 2003 and the premium paid in any of the years during the term of the policy not exceeding 20% of the Actual Capital Sum Assured.
- policy which has been issued on or after April 1, 2012 and the premium paid in any of the years during the term of the policy not exceeding 10% of the Actual Capital Sum Assured.

Where the policy, issued on or after the 1st day of April, 2013, is for insurance on life of any person, who is—

- (i) a person with disability or a person with severe disability as referred to in section 80U, or
- (ii) suffering from disease or ailment as specified in the rules made under section 80DDB,

exemption under this section shall be available only if the premium payable in any of the years is not more than 15% of the actual Capital Sum assured.

8) Tax deduction at source Under Section 194DA from non-exempt payment made under Life Insurance Policy (as per Finance Act, 2014):

Any sum paid from life insurance policy, including the sum allocated by way of bonus on such policy, which is not exempt under section 10(10D) of the Act is liable to TDS @2%. However if the aggregate amount paid during the financial year to the policyholder is less than Rs. One Lac, no tax is to be deducted. Recipient of payments referred to in section 194DA are eligible for filing self declaration in Form No. 15G/15H for non deduction of tax at source w.e.f. 1st June 2015.

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