

INCOME-TAX PROVISIONS IN RESPECT OF LIFE INSURANCE POLICIES

1) Exemption in respect of commutation of (Section 10 (10A) (iii)):

Any payment received by way of commutations of pension from a fund under clause (23AAB).

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

Any sum received under a life insurance policy, including the sum allocated by the way of bonus on Such policy subject to conditions mentioned therein.

3) Deduction allowable from Income for payment of Life Insurance Premium (Section 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 before the 31st day of March 2012 shall be eligible for deduction only to the extent of 20% of the actual capital sum assured or actual premium paid whichever is less.

(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 or actual premium paid whichever is less.

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 or actual premium paid whichever is less.

Meaning of “actual capital sum assured” in relation to a life insurance policy shall mean the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account-

- (i) the value of any premium agreed to be returned; or
- (ii) any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(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 , New Jeevan Akshaya, New Jeevan Akshaya – I, New Jeevan Akshaya –II , Jeevan Akshaya – III, Jeevan Akshaya – VI & Jeevan Akshaya – VII

4) Deduction in respect of contribution to certain pension funds (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 Life Insurance Corporation of India under the Pension Scheme) is allowed.

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

5) Deduction in respect of health insurance premium (Section 80D)

a) In case of an individual, deduction allowable up to 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) In case of an individual, additional deduction up to 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 up to 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.50,000/-. 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 /- in the overall limit of Rs. 25,000 or 50,000 as the case may be.

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 of India.

6) Deduction in respect of maintenance including medical treatment of a dependent who is a person with disability (Sec.80DD):

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

7) Tax deduction from payment of life insurance policy (Sec. 194DA & 195):

Where a life insurance policy is not exempt under the provisions of section 10(10D), payment shall be subject to deduction of tax..

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