Chirag Nangia

Senior citizens can claim tax deduction on medical expenses up to ₹50,000

• I retired in November 2020 and took a Mediclaim Policy in February 2021. In between, I have incurred some medical expenses on preventive health check ups, doctors' consultation fees and dental treatments. Can I claim tax exemption on these expenses (incurred out of my own pocket) after retirement, and before taking any medical insurance cover, and under which Section of 80D? Further, can the cost of medicines also be included for tax exemption under medical expenses for Section 80D?

—A Sen

According to Section 80D of the Income Tax Act, senior citizens may avail a deduction of up to ₹50,000 for payment of premium towards medical insurance policy. This limit includes expenses incurred on preventive health checks subject to the internal limit of ₹5,000. However, if no amount is paid as premium on health insurance, medical expenses incurred by such senior citizens may be claimed under Section 80D, subject to the monetary cap of ₹50,000. To claim deduction, all the medical expenditure must be paid in any other mode other than cash (i.e. via channels such as credit card, debit card, and net-banking or other digital channels). Medical expenses may include medical consultations, medicines, hospitalization expenses, etc. Accordingly, for FY 2020-21, you either claim deduction of medical expenses incurred or health insurance premium paid, subject to the ceiling of ₹50,000.

• I am a senior citizen. I want to transfer some shares to the Demat accounts of my daughter and NRI son as a gift. I will inform them of this transfer through email, with advice to preserve the message to be shown to any authorities, if and when required. Is it sufficient to avoid any difficulty in future?

—Rakesh Saxena

Since shares are considered "movable property", it is not mandatory to execute a gift deed. However, in order to create a legal record, it is best to execute one. A simple acknowledgement may also serve the purpose. Further, please note that capital instruments are permitted to be transferred to NRI by way of gift subject to satisfaction of certain conditions and guidelines of RBI in this regard.

The writer is director, Nangia Andersen India. Send your queries to fepersonalfinance@expressindia.com

YOUR QUERIES

Chirag Nangia

Invest LTCG on sale of property in new house to get tax exemption

• My father passed away last year and our house is in my mother's name. She gets a family pension. What are the tax implications if we sell the house?

—Arun Arora

If the property was cumulatively held by your parents for a period more than 24 months, the capital gains on sale of property shall be classified as long-term (LTCG), else, the same shall be short-Term in nature (STCG). For computing LTCG, the indexed cost of acquisition, indexed cost of improvement and expenses (incurred wholly and exclusively in connection with the transfer) shall have to be deducted from the sale consideration of property. Notably, since the property has been acquired by way of inheritance or succession, the 'cost of acquisition' shall be deemed to be the cost at which the previous owner (your father) acquired it. LTCG so computed shall be taxed at the rate of 20%.

Further, tax exemption is available if LTCG on sale of property is re-invested in another residential property. One has to purchase it within two years from the date of transfer. In case of construction, the timeline is three years. Further, the section does not restrict re-investment in the name of the seller only. This position has been affirmed in various courts and tribunals as well. Then, your mother can claim benefits under Section 54. You may seek professional help for correct computation and reporting of income.

• I have salary income of less than ₹50 lakh and income from taxable RBI bonds, LTCG from FMPs & dividend income from mutual fund, other interest income from PPF/FD. My wife has salary income less than ₹10 lakh plus income from taxable RBI bonds and dividend income. Which ITR should we use?

—M K Jain

Both of you shall have to disclose the particulars of income in ITR 2. Income from specified units of a mutual fund is subject to 10% TDS, as per Section 194K. Notably, TDS is a form of advance tax paid to the government, the credit of which can be taken while discharging the final tax liability (computed at applicable slab rates/ special rates). While filing the return of income, you shall have to self-assess your tax final liability by applying applicable slab rates/ special rates (as the case may be) to your total income and deduct the amount of TDS therefrom.

The writer is director, Nangia Andersen