

# Tax saving of up to ₹15,600 due to higher mediclaim deduction

**Deepthi Bhaskaran**  
 • deepthi.bh@livemint.com

**NEW DELHI:** The Union Budget has many proposals that would cheer up the senior citizens. And, one of the biggest of these reasons is the increase in deduction limit under section 80D of the income-tax Act—under which one can avail benefits for payment of health insurance premiums.

The premiums that you pay towards a health insurance policy qualify for tax deduction. The Union Budget 2018 has proposed to increase this deduction for senior

citizens from up to ₹30,000 to a maximum of ₹50,000. This change would be applicable for the financial year 2019. For someone in the highest tax bracket of the tax savings would be up to ₹15,600, compared to ₹9,270 now.

“On an average, senior citizens pay around ₹10,000 as premiums but the health insurance cover is insufficient given the rising healthcare costs and their increased medical attention. Increasing the deduction limit in that sense will encourage senior citizens to buy a higher health insurance policy, which is the

need of the hour,” said KG Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance Co. Ltd.

For individuals who are below 60 years of age, no change has been proposed. The deduction under section 80D, for them, continues to be ₹25,000. “Ideally, for the general segment too we were expecting a hike in the deduction limit that is aligned to medical inflation. An ideal insurance cover for a family of four in a metro is about ₹15 lakh and the premium a 45-year-old will need

to pay is definitely more than ₹25,000,” said Sandeep Patel, chief executive officer, Cigna TTK Health Insurance Co. Ltd. But you can benefit if you have senior citizen parents and you pay premiums on their behalf. Under section 80D you can claim a deduction for health insurance bought for self, spouse and children. In addition to this, you can claim a further deduction for policies bought in the name of parents.

So if the parents are below 60 years of age, the total deduction available to you is ₹50,000. The budget 2018 makes no changes

here. But if your parents are senior citizens, above 60 years, you can claim an additional deduction of up to ₹50,000—taking the total deduction to ₹75,000. This deduction limit includes the preventive health check-up limit of ₹5,000. Senior citizens can now claim a deduction of ₹50,000 towards medical expenditure, instead of claiming the benefits of paying health insurance premiums. The Union Budget has also increased the limit of deduction for medical expenditure for self, spouse, dependant parents, children and siblings.



• The Budget 2018 has proposed to increase this deduction for senior citizens from up to ₹30,000 to a maximum of ₹50,000. **HT FILE**

## EXPERT SPEAK: BUDGET 2018



**K.G. KRISHNAMOORTHY RAO**  
 MD & CEO, Future Generali India Insurance Co. Ltd

**INTEREST RATES**  
 Inflation is expected to hold at these current levels. The market yields have accordingly moved up in the last few months and are expected to remain range bound, albeit higher.

**INFLATION**  
 The Budget will not have any significant impact on inflation as MSPs on Rabi crops are already at 1.5x cost of production. This has now been extended to Kharif crops as well. Inflation has risen over the last 6 months... Inflation is expected to hold at these levels in coming months.

**DEFICIT**  
 The Budget has maintained the fine balance between fiscal prudence and populism given the upcoming elections. This shows government's intent to stick to fiscal consolidation.

**SENSEX**  
 The long-term capital gains tax on equity has been structured well so as to minimise impact on the equity markets.



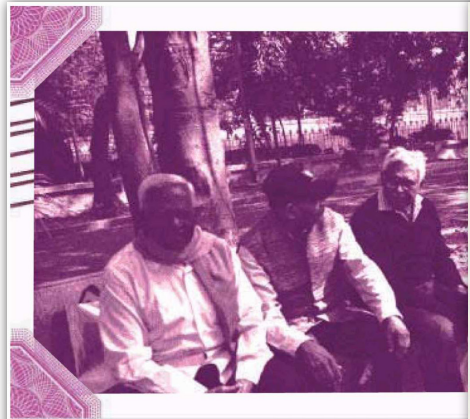
## Rs5 lakh Medicare for the poor

**BY DEEPTI BHASKARAN**  
 deepthi.bh@livemint.com

The budget 2018 focussed on senior citizens and people from the lower-income group. While increasing the tax deduction should encourage individuals to buy more health insurance, the flagship National Health Protection Scheme that the budget 2018 announced will cover over 10 crore poor and vulnerable families or about 50 crore beneficiaries. This scheme will be an improvement over the Rashtriya Swasthya Bima Yojana (RSBY) that provided a cover or sum insured of Rs30,000. The new health insurance scheme offers a sum insured of Rs5 lakh and will work like a floater policy much like the RSBY. A floater policy considers the entire family as a unit. So, if one member of the family makes use of the cover, the sum

insured will reduce by that much amount. “We are still awaiting details but this is a great move which will most likely replace the RSBY. The sum insured of Rs5 lakh is higher than the average sum insured in the retail segment. However, implementation of this scheme and tackling fraud could prove to be a challenge,” said K.G. Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance Co. Ltd. How much the premium will be and what will be the extend of the coverage, whether it will cover out-patient treatment—is not known yet, but if RSBY is anything to go by, both State and the Centre pay the premium and policyholders pay Rs30 as enrolment fee. “It’s difficult to go into depth, but the intention is excellent to cover people at or below the poverty line. We are yet to understand what will be the premium, given that

the sum insured is Rs5 lakh, but hopefully it will be at a level where everyone can participate,” said Anvita Jacob, chief executive officer, Apollo Munich Health Insurance Co. Ltd. For the industry, the impact will be huge. “It will have a huge impact in terms of the premium that will come to the industry. It will likely throw up opportunity to build infrastructure which will be a huge step up for the industry,” said Kapil Mehta, co-founder, SecureNow.in. According to Pushan Mahapatra, managing director and chief executive officer, SBI General Insurance Co. Ltd, this will mean that customers don’t have to borrow or burn their savings. “This will have a positive impact on insurance penetration. We have seen a similar uptick through the crop insurance scheme and the Pradhan mantri schemes that provide life and personal accident insurance,” he added.



संभार करतलें हेंडोव्ही इन्शुरेंस कें सेवेरी कें केंड्री कुमारी वर करतें. हेंडोव्ही

## नैशनल हेल्थ इन्शुरेंस: सफलता के लिए बहुत कुछ जरूरी

सरकार ने 10 करोड़ परिवारों को प्रत्येक वर्ष 5 लाख रुपये तक का बीमा देने की घोषणा बजट में की है। ऐसे में सवाल उठ रहा है कि यह स्कीम सरकार किस तरह लागू करेगी और क्या मौजूदा स्वास्थ्य बीमा योजना को इतने बजट में चलाया जा सकता है।

**sudha.shrimali**  
 @timesgroup.com

नैशनल हेल्थ इन्शुरेंस इस स्कीम को सरकारला इत बजट पर चला करती है कि इसकी प्रगति सरकार के लिए है और इसे मिलने वाली सहायता का प्रत्येक के लिए दिया जाये। 10 करोड़ परिवारों के साथ ही बीमा प्रारम्भ करती है, यह स्कीम बहुत ही सफल है और इतिहास की बात को तो 10 करोड़ परिवारों को एक स्कीम में लाना, बहुत बड़ा कदम है। अब देशवासी के लिए यह स्कीम लागू करने में सरकार सफल होकर ही देशवासी को सहायता देगी।

यह स्कीम ही है जो-कॉस्ट इन्शुरेंस स्कीम के अन्तर्गत है। इसे लागू करने के लिए सरकार को बहुत कुछ करना पड़ेगा। इसे लागू करने के लिए सरकार को बहुत कुछ करना पड़ेगा। इसे लागू करने के लिए सरकार को बहुत कुछ करना पड़ेगा।

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## Good news for tax-paying senior citizens

The Budget proposes a slew of benefits for senior citizens, providing them tax benefits in healthcare and giving higher income from interest

**BY DEEPTI BHASKARAN**  
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The Union Budget has many proposals that would cheer up the senior citizens. And one of the biggest reasons is the increase in deduction limit under section 80D of the income-tax Act—under which one can avail benefits for payment of health insurance premiums. The premiums that you pay towards a health insurance policy qualify for tax deduction.

A deduction is the first tool to use to reduce your tax liability. It's a reduction from your total income, and what is left after that is called your taxable income. The Union Budget 2018 has announced to increase this deduction for senior citizens from up to ₹30,000 to a maximum of ₹50,000.

This change would be applicable for the financial year 2019. For someone in the highest tax bracket of 30%—the effective income tax rate for whom would now be 31.2%, given that the deduction cess has been increased to 4%—the tax savings would be up to ₹15,600, compared to ₹9,270 now. “On an average, senior citizens pay around ₹10,000 as premiums but the health insurance cover is insufficient given the rising healthcare costs and their increased medical attention. Increasing the deduction limit in that sense will encourage senior citizens to buy a higher health insurance policy, which is the need of the hour,” said K.G. Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance Co. Ltd.

For individuals who are below 60 years of age, no change has been proposed. The deduction under section 80D for them continues to be ₹25,000. This includes deduction on account of preventive health check-up to ₹5,000. “Ideally, for the general segment, too, we were expecting a hike in the deduction limit that is aligned to medical inflation. An ideal insurance cover for a family of four in a metro is about ₹15 lakh and the pre-

mium a 45-year-old will need to pay is definitely more than ₹25,000,” said Sandeep Patel, chief executive officer, Cigna TTK Health Insurance Co. Ltd.

But you can benefit if you have senior citizen parents and you pay premiums on their behalf. Under section 80D, you can claim a deduction for health insurance bought for self, spouse and children. In addition to this, you can claim a further deduction for policies bought in the name of parents.

So if the parents are below 60 years of age, the total deduction available to you is ₹50,000. The Budget 2018 makes no changes here. But if your parents are senior citizens, above 60 years, you can claim an additional deduction of up to ₹50,000—taking the total deduction to ₹75,000. The preventive health check-up limit of ₹5,000 for self and another ₹5,000 for parents is within this limit.

What has also changed is that the senior citizens can now claim a deduction of ₹50,000 towards medical expenditure, instead of claiming on account of health insurance premiums only. “Currently, very senior citizens—those above 80 years of age—can claim a deduction of up to ₹30,000 incurred towards medical expenditure, in case they don't have health insurance. The Budget has increased this to ₹50,000 and also allowed of the same flexibility to senior citizens. Even individuals who pay premiums for their dependant senior citizens parents can claim the additional deduction on health insurance premium or medical expenditure,” said Homi Mistry, partner, Deloitte Haskins and Sells LLP.

Other than increasing the deduction under section 80D of the income-tax Act, the Union Budget has also increased the limit of deduction for medical expenditure for self, spouse, dependant parents, children and siblings in respect of certain critical illness—like malignant cancers, chronic renal failure, haemophilia and thalassemia—from ₹80,000 in case of senior citizens and ₹80,000 in case of very senior citizens—to ₹1 lakh for all senior citizens under section 80DDE. For non-senior citizens, this deduction limit continues to be ₹40,000.



**NILESH SHAH**  
 managing director, Kotak Mahindra Asset Management Co. Ltd

**LIKE**

• Commitment to fiscal glide path with fiscal deficit pegged at 3.3% of GDP for FY2018-19

• Doubling farmer income with MSP support, Operation Green, \$100 billion agriculture export target

**DISLIKE**

• Small steps to curb trade deficit with import duty hikes only on electronics and mobile phones



**SHYAM SEKHAR**  
 founder and chief advisor, thought

**LIKE**

• LTCG on equity restores tax parity. Will lead to a more balanced approach to asset allocation

• Higher minimum support price at 15 times the crop's input cost. Farmer's disposable income set to rise

**DISLIKE**

• Nothing for the salaried class. Should have given more to taxpayer

