

FREQUENTLY ASKED QUESTIONS (FAQs) ON TAX DEDUCTION AT SOURCE FROM PENSION
*****UPDATED FOR FY 2020-21 (AY 2021-22)*****

1. Whether tax (TDS) will be deducted on monthly pension?

Ans: Tax will be deducted from monthly pension on monthly prorata basis if estimated total annual pension crosses the threshold limit of Tax after taking into account proof of investments submitted by pensioners every year. No other income will be considered except monthly pension payable from Canara Bank Employees’ Pension Fund (CBEPF) while computing TDS on pension.

2. Any Amendments introduced in Income Tax/TDS for the FY 2020-21 (AY 2021-2022)?

In Budget 2020, the Income tax department has introduced the concept of new tax regime by way of insertion of new section 115BAC. From 2020-21 FY (2021-22 AY) onwards, individuals will have an option to choose between the new and old tax regime.

- Both regimes have separate tax slabs and rates. This scheme provides an option to the tax-payers to pay tax at reduced rates subject to fulfillment of certain conditions.
- All deductions under chapter VI-A (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc) will NOT be claimable by those opting for the new tax regime.
- Pensioners intending to opt for the concessional rate under section 115BAC of the Act (New regime), may intimate us through email/letter of such intention during April month of every **Financial Year**. If such intimation is not made by the pensioner, TDS will be calculated by us under the old regime. **Hence, there is no need for any intimation to us if the pensioner opts for old regime for payment of tax.**
- Once the pensioners opt for old regime or new regime during the April month of the Financial Year, under NO circumstances we will be able to change the regime at our end for that Financial Year. However, the pensioner if required may choose the alternate regime while filing their return for that Financial Year. Thus, option at the time of filing of IT returns could be different from the option intimated to us for that Financial Year.

3. At what rate TDS on Pension payment to Canara Bank Ex-employees will be deducted?

| Income Tax Slab for FY 2020-21 under New regime (No specific slabs for Senior and Super Senior Citizens) | |
|---|--|
| Upto ₹ 2,50,000 | NIL |
| ₹ 2,50,001 to 5,00,000 | 5% of total income exceeding ₹ 2,50,000 |
| ₹ 5,00,001 to 7,50,000 | ₹ 12,500 + 10% of total income exceeding ₹ 5,00,000 |
| ₹ 7,50,001 to 10,00,000 | ₹ 37,500 + 15% of total income exceeding ₹ 7,50,000 |
| ₹ 10,00,001 to 12,50,000 | ₹ 75,000 + 20% of total income exceeding ₹ 10,00,000 |
| ₹ 12,50,001 to 15,00,000 | ₹ 1,25,000 + 25% of total income exceeding ₹ 12,50,000 |
| Above ₹ 15,00,000 | ₹ 1,87,500 + 30% of total income exceeding ₹ 15,00,000 |

If tax payers opt for existing scheme (old regime), the tax slabs remain unchanged as compared to previous year. The Income tax slabs for FY 2020-21 under existing scheme (old regime) are as follows:

| Income tax slab | Individuals below the age of 60 years |
|-------------------------|---|
| Upto ₹ 2,50,000 | NIL |
| ₹ 2,50,001 to 5,00,000 | 5% |
| ₹ 5,00,001 to 10,00,000 | ₹ 12,500 + 20% of total income exceeding ₹ 5,00,000 |
| Above ₹ 10,00,000 | ₹ 1,12,500 + 30% of total income exceeding ₹10,00,000 |

| Income tax slab | Senior Citizens(Aged 60 years but less than 80 years) |
|-------------------------|---|
| Upto ₹ 3,00,000 | NIL |
| ₹ 3,00,001 to 5,00,000 | 5% of total income exceeding ₹ 3,00,000 |
| ₹ 5,00,001 to 10,00,000 | ₹ 10,000 + 20% of total income exceeding ₹ 5,00,000 |
| Above ₹ 10,00,000 | ₹ 1,10,000 + 30% of total income exceeding ₹10,00,000 |

| Income tax slab | Super Senior citizens (Aged 80 years and above) |
|-------------------------|---|
| Upto ₹ 5,00,000 | NIL |
| ₹ 5,00,001 to 10,00,000 | 20% of total income exceeding ₹ 5,00,000 |
| Above ₹ 10,00,000 | ₹ 1,00,000 + 30% of total income exceeding ₹10,00,000 |

Note: 4% Health & Education Cess on Income Tax and full rebate under 87A if total income is within ₹ 5 Lakhs for individuals is present under BOTH existing and new regime.

4. Is it necessary to submit proof of investments made for availing Tax rebate?

- If Pensioners opt for new regime for calculating tax under section 115BAC of the Act, then submission of investment proofs to avail deduction in taxable income is NOT APPLICABLE as per the section. Hence, if any investment proofs are submitted by such pensioners, it will not be considered by us.
- For pensioners who do not opt for new regime, proof of investments needs to be submitted only if their income from pension exceeds the exemption limit. As per the tax slabs for FY 2020-21, if a pensioner's annual pension income is under ₹ 5.50 lacs, then income Tax from pension will not be deducted by our section.

Ex: The following table shows the tax calculation of a senior citizen (old tax regime) for the FY 2020-21 assuming the annual pension as ₹ 5,40,000:

| PARTICULARS | AMOUNT |
|---|--------------|
| Total annual income from pension | 5,40,000 |
| (Less) Standard Deduction | 50,000 |
| Taxable Income | 4,90,000 |
| Income Tax as per slab | 9,500 |
| (Less) Rebate under Section 87A (Max ₹12,500) | 9,500 |
| Income Tax Payable | NIL |

As the Employees' Pension Fund calculates tax only from pension income, the above table demonstrates that if a pensioner's income is below ₹ 5.50 lacs then TDS will not arise. Hence, there is no need for such pensioners for submitting their investment proofs to us.

- Rebate under Section 87A is available only when taxable income is lower than ₹ 5 lacs. Hence, for pensioners whose annual taxable income from pension exceeds this limit, then they have to submit their investment proofs to Employees' Pension Fund every year so that the actual investment made by the pensioner is considered for rebate at the time of calculating his/her tax on pension payment.

Note: For the e-Syndicate Bank pensioners, as the pension for March 2021 will be credited on last working day of March 2021 itself, there will be 13 pension credits for the FY 2020-21 (March 2020 to March 2021 - inclusive of both). As such, for them the gross income for FY 2020-21 will be aggregate of 13 months pension. This instance will occur only during the FY 2020-21. Pensioners who are coming under tax bracket are requested to plan their investments accordingly.

5. When to submit the proof of investment and to whom?

Ans: Proof of actual investments has to be submitted to the Employees' Pension Fund every year through email/letter as and when investments are made in the current FY but before 31st December every year.

6. Till the time of submission of investment proof how will the tax liability be calculated?

Ans: While deducting TDS on monthly prorata basis, the investment declaration submitted by the pensioner will be considered and tax from April to December every year will be deducted as per the declaration. Hence, pensioners intending to avail rebate under Income Tax, but who are yet to invest may send a declaration regarding the same during April month of every Financial Year.

But, if proof for investment as per the declaration is not submitted by 31st December, then monthly tax will proportionately increased after December month or it can be said that from the month of January, TDS will be deducted on the basis of actual investment made by the pensioner. If no proof of investment is given, no rebate in tax will be allowed for the current FY.

In cases of investments like insurance policy where premium falls due after 31st December of the Financial Year, pensioners are requested to submit premium paid receipt for the last year to the same policy and submit an undertaking to ensure payment of requisite premium before the end of the Financial Year (31st March).

The format of investment declaration to be submitted with proof of investment is available in our Bank's website under the ex-employee's page

7. Whether submission of investment declaration will suffice for claiming tax rebate?

Ans: No. Submission of investment proof is a mandatory requirement for claiming tax rebate.

8. Whether mere mentioning the Housing Loan interest and repayment amount availed from our Bank, IBA medical insurance premium amount debited by Canara Bank, Deposits made with Canara Bank under tax-saver scheme etc in the declaration submitted will suffice for having submitted the investment proof?

Ans: No. Though the deposit is made with Canara Bank, housing loan is availed with Canara Bank and premium for the IBA medical insurance scheme is debited by Canara Bank, submission of proof under each entry in the investment declaration is mandatory to claim tax rebate.

9. Whether it is necessary to submit proof of investment if the total annual pension does not cross the threshold limit for different age group of individuals?

Ans: No. In cases where the total annual pension does not cross the threshold limit for different age group of pensioners, they need not submit the investment proof.

10. Whether terminal benefits/salary arrears received by pensioner during the Financial Year will be considered for tax calculation?

Ans: No. Tax will be calculated only on the pension amount paid during the Financial Year

11. Whether Canara Bank Ex-employee pensioner can request to stop deduction of tax?

Ans: No. It is mandatory for to deduct tax at source while paying pension to pensioners.

12. Whether Canara Bank Ex-employee pensioner request for deduction of additional tax?

Ans: No. There is no provision to deduct additional tax.

13. Who will issue the Form No.16 or how the pensioner will get TDS certificate in Form No. 16?

Ans: Form No.16 (Both Part A and Part B) as per the Traces format shall be uploaded by Canara Bank Employees' Pension Fund on our Bank's website on the ex-employee page. In respect of the pensioners whose tax has not been deducted but PAN is available, only Form 16 Part B will be made available. Hard copies will not be sent.

14. Whether providing the PAN is mandatory by the Ex-employee Pensioner. What will be the implication of non-submission of PAN?

Ans: All Pensioners are requested to get their PAN noted at the Employees' pension Fund by providing the self-attested copy of the PAN if not provided already. Wherever PAN is not provided by the Pensioner, 20% of the tax will be deducted as per extant Income Tax guidelines.

15. In case of Family pensioner, whether TDS is applicable?

Ans: No. Since family pension does not come under the definition of "Salary" of Income Tax Rules, TDS is not applicable to it.

16. If pensioner has paid advance tax and requests not to deduct tax, whether bank may stop deducting tax on pension?

Ans: No. Bank is bound to deduct tax at source. Such requests will not be entertained.

In case of any queries, please contact:

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