Tax Breaks for the Disabled

Despite the significant push from rights organisations, the Disability Rights Bill was not taken up in the latest Parliament session.

This Bill, an improvement over the 1995 law, provides a comprehensive definition of disability, more rights, and an increase in the quota from 3 per cent to 5 per cent in Government jobs. The Bill, upon becoming an Act, will come as a shot in the arm for those with disabilities.

Given the significant expenditure that the disabled and their caregivers incur, they also deserve more financial relief than others — something the tax law recognises and provides for. Listed below are some of the tax breaks that can be used by resident Indians who are mentally or physically disabled, and their caregivers.
Direct deduction

Disabled persons are entitled to a flat deduction from their income — this helps reduce the tax outgo. If the disability is at least 40 per cent, the deduction is ?50,000.

In case of severe disability (80 per cent and more), a flat deduction of ?1 lakh is allowed. The disability, however, has to be certified by competent medical authorities.

This benefit, which falls under Section 80U, is available during the validity period of the medical certificate.

Medical expenses

If you incur expenditure for the medical treatment, training, and rehabilitation of a dependent spouse, child, parent, or sibling who is disabled, you get deduction under Section 80DD.

You also get this break on buying an annuity or lumpsum payment policy for the benefit of such a dependent.

The tax deduction is a fixed ?50,000 a year, which goes up to ?1 lakh in the case of severe disability. This deduction is applicable for a Hindu Undivided Family (HUF), too, which incurs expenses on a disabled member or buys a policy for his or her benefit.

The deduction can be claimed by the caregiver as long as the medical certificate of the disabled dependent is valid.

But note that the benefits under Section 80DD and Section 80U are mutually-exclusive — only one of the two can be claimed.

According to Rakesh Nangia of Nangia & Co, a firm of chartered accountants, the caregiver will not be able to claim deduction under Section 80DD if the disabled person has already claimed deduction from his or her income under Section 80U.

Specified illnesses

Besides the above, medical expenditure on some specified illnesses such as neurological diseases, cancer, AIDS, chronic kidney failure, and hematological disorders, qualifies for deduction, too.

This is provided by Section 80DDB and is available if you incur the medical expense for yourself or a dependent spouse, children, or siblings.

The tax break you get is the lower of the actual expense you incur or ?40,000 (?60,000 for a senior citizen). But if you get any reimbursement from your employer or insurer, that will be deducted from the expenses to arrive at the actual deduction.

Transport allowance

Employees with visual and orthopaedic disabilities get double the usual tax-exempt transport allowance granted to others. According to CA Chirag Chauhan of CA Chauhan & Co, a chartered accountant firm, “Most employers pay ?800 per month as the same is exempt from tax. However, for an employee who is blind or with disability of the lower limbs, the exempted amount is ?1,600 per month.”

Such employees can request their employers to structure their pay so that they get ?1,600 a month as transport allowance.

On a final note, he adds that for newly employed disabled persons in the private sector who earn up to ?25,000 a month, the Government will pay the employer’s contribution to the Employees’ Provident Fund and Employees’ State Insurance for the first three years.

(Business Line)