



ASIAN BUREAU OF FINANCE
AND ECONOMIC RESEARCH

Consumption and Savings Response to Income Tax Exemption Policy: Evidence from India

Sumit Agarwal, Souphala Chomsisengphet, Pulak Ghosh, **Man Zhang**

May 2018

Introduction

- ▶ **Households not saving enough**
 - ▶ Feldstein(1977), Mitchell and Morre (1998), Skinner (2007)
- ▶ **Life Cycle Hypothesis**
 - ▶ Optimize consumption and saving over entire life period
- ▶ **Behavior Explanations**
 - ▶ Bounded Rationality
 - ▶ Lack of financial sophistication
 - ▶ Absence of learning channels
 - ▶ Self-control
 - ▶ Time-inconsistent preferences (Laibson 1994,1996)
- ▶ **Policy Intervention**
 - ▶ Tax subsidized saving policy

Introduction

- ▶ Theoretical Prediction
 - ▶ Life Cycle Hypothesis
 - ▶ Always exhaust the tax preferred saving limit
 - ▶ Behavior Models
 - ▶ Positive Effect
 - Perception of costs and benefits
 - Education program, peer effect
 - Private Rules
 - Self-discipline
 - Third Party Activities
 - Corporate co-payment



Introduction

- ▶ **Positive Empirical Question**
 - ▶ Can tax incentive saving policy increase private saving?
- ▶ **U.S. context**
 - ▶ IRAs, 401(k)s, Roth 401(k)
 - ▶ Venti and Wise (1986-1988), Engen and Gale (1997), Gelder (2009), Beshears et. al. (2015)
- ▶ **International Evidence**
 - ▶ Canada, Britain, Italy, Japan, France, Denmark...
 - ▶ Burbidge and Davies (1994), Engelhardt (1996), Chetty et.al. (2014)
- ▶ **Conclusion?**
 - ▶ Mixed
- ▶ **Why?**
 - ▶ Inaccurate infrequent survey data
 - ▶ Cannot identify the crowding out effect
 - ▶ Policy change may be endogenous



Introduction

▶ Empirical Challenge

▶ Bernheim (2002)

- ▶ *“Having been handed two grand experiments with tax policy (IRAs and 401(k)s), it would seem that we ought to have learned more, and to have achieved greater consensus than we have. However, the prospects for significant advances in empirical methodology will be severely limited unless researchers have access to higher-quality data.”*

▶ Chetty (2015)

- ▶ *“It is critical to determine whether these larger retirement contributions come at the expense of less saving in non-retirement accounts or actually induce individuals to consume less (as required to raise total savings rates). Most studies to date have not been able to estimate such crowd-out effects because they do not have data on individuals’ full portfolios.”*

▶ One Exceptional Paper

▶ Chetty, Fiedman, Leth-Petersen, Nielsen and Olsen (2014)

- ▶ 85% passive savers
- ▶ 15% active savers who respond to tax subsidies by shifting assets across accounts



Overview

- ▶ Income Tax Exemption limit Increase (US \$833) in 2014 in India
 - ▶ Exogenous unexpected policy change
 - ▶ Long term saving accounts
- ▶ Large financial transaction level panel debit card and credit data to measure consumption
- ▶ We directly estimate whether households reduce consumptions and increase savings.
- ▶ Identification Strategy
 - ▶ Treatment Intensity (Difference-in-Difference)
 - ▶ Treatment: mortgage loan borrowers
 - ▶ Control: non-mortgage loan borrowers



Main Findings

- ▶ 31% of consumers holding a mortgage loan increase the mortgage principle payment with an average of US \$ 323.
 - ▶ Young and single consumers are more likely to increase the principle payment of their mortgage loans
- ▶ The consumers with a mortgage loan on average reduces consumption by US \$193 by the end of FY 2014.
- ▶ The consumption reduction persists in FY 2015.
- ▶ The effect on consumption is more pronounced for the male, young, single and low income individuals.

Policy Background

Figure 1. India Domestic Saving Rate

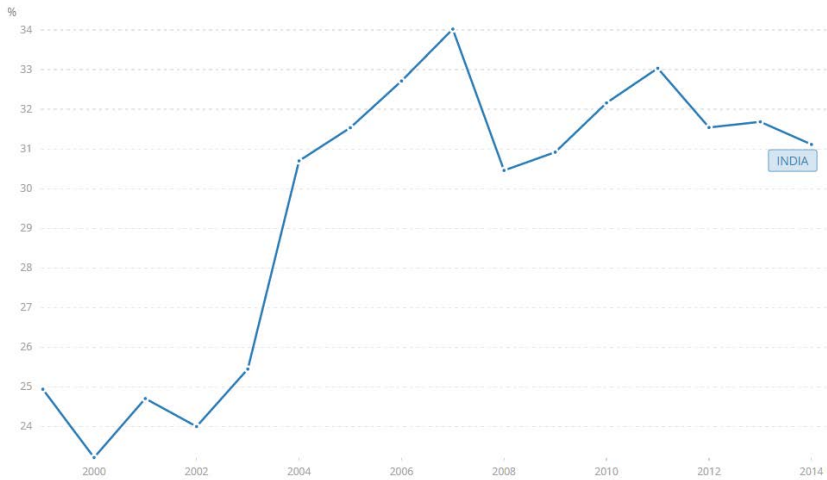


Figure 2. Saving/Investment of Indian households vs. US counterparts



- India domestic saving rate declined rapidly since 2007.

Policy Background

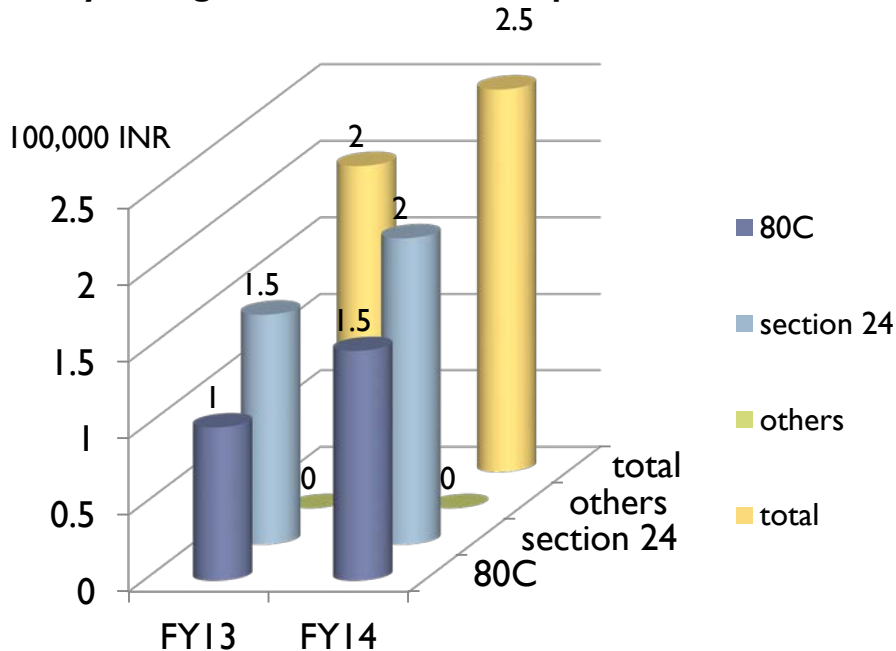
▶ Union Budget 2014

Announcement : 10th July 2014

Effective: 1 April 2014 to 31 March 2015

The total income tax exemption limit is increased by 50,000 INR. ([click](#))

Policy Change of Income Tax Exemption Limit FY13 to FY 14



Policy Background

▶ Exemption Channels

- ▶ Investment under 80C (long term savings)
 - **Public Provident Fund**
 - **Principal Part of Loan Repayment on Housing Loan**
 - Stamp Duty and Registration Charges for House
 - Life Insurance
 - Health Insurance
 - Fixed Deposit > 5 years
 - Mutual Fund Investments(ELSS)
 - Sukanya Samriddhi Account
 - Infrastructure Bonds
 - Education Expense (tuition)

▶ Section 24 (Interest on self-occupied house property)



Illustrative Example

- ▶ An individual below age of 60.
- ▶ Annual income in FY 2013 is 500,000 INR.
 - ▶ He exhausted the total income tax exemption limit of 200,000 INR.
 - ▶ The net taxable income is thus 300,000 INR.
- ▶ In FY 2014, if his annual income is the same as FY 2013 with 500,000 INR.
 - ▶ He managed to reach the new income tax exemption limit of 250,000 INR.
 - ▶ The net taxable income is thus 250,000 INR.
- ▶ The increase in deposit on tax exemptible account
 - ▶ 50,000 INR
- ▶ The reduction in income tax payable
 - ▶ $(300K-250K)*10\%-(250K-250K)*10\%=5,000$ INR (83 USD)

Hypothesis

- ▶ Home Loan Borrowers (HLB) VS non-Home Loan Borrowers
 - ▶ Costless to increase mortgage loan principle payment
 - ▶ No maturity requirement (fixed deposit >5 yrs, PPF>15 yrs)
 - ▶ No minimum amount requirement (life insurance)
 - In any continuous amount
 - ▶ HLBs definitely has exposure to loan payment account (tuition, bonds)
 - ▶ Loan borrowers have less closely substitutable taxable savings
 - ▶ It is costly to borrow and save at the same time
- ▶ Households with a mortgage loan are more likely to cut on consumption in response to the policy change.

Methodology

- ▶ Consumption has seasonal patterns and subject to confounding events.
 - ▶ Difference in Difference
 - ▶ Treatment: home mortgage loan borrowers
 - ▶ Control: non home mortgage loan borrowers
 - ▶ Key Assumption
 - ▶ The disposition to consume/save would be the same for the treated and control groups without exogenous policy change.
 - ▶ Intention to treat average effect
 - ▶ Lower bound estimation

Data and Sample (mortgage loan data)

- Mortgage Loan Level Data
 - Borrower characteristics
 - age, marital status
 - Loan characteristics
 - credit limit, loan term, origination date, collateral value
 - Loan status at Sep 2013, Sep 2014, Sep 2015
 - account balance, interest payment, loan performance

Panel A: Mortgage Loan Data

	N	Mean	p10	p50	p90	Std.
approved credit limit	812,169	826,059	259,125	600,000	1,700,000	651,425
loan term (in months)	812,169	195	120	180	240	45
repayment starting year	812,169	2,009	2,006	2,009	2,012	3
value of primary security	773,583	1,401,918	280,000	1,000,000	2,841,226	9,562,589
interest rate	811,719	11	8	11	13	1.9
loan borrower (age)	812,169	53	37	49	65	20
loan borrower (==1 If married)	812,169	0.62	0	1	1	0.48

Results (Mortgage Loan Principle Payment)

Panel A: 41.31% home loan borrowers do not increase annual total repayment

	N	mean	p10	p50	p90	Std.
principle payment 1 (p1: 2013:09-2014:09)	258,936	41,088	14,277	31,612	80,844	30,575
principle payment 2 (p2: 2014:09-2015:09)	258,936	45,870	15,729	35,376	90,720	34,507
change of principle payment (Δp : p2-p1)	258,936	4,781	936	3,908	10,782	6,046
% change of principle payment ($\Delta p/p1$)	258,936	12%	5%	13%	17%	16%

Panel B: 31.01% home loan borrowers increase annual total repayment

	N	mean	p10	p50	p90	sd
principle payment 1 (p1: 2013:09-2014:09)	194,400	45,615	14,283	33,951	94,343	35,614
principle payment 2 (p2: 2014:09-2015:09)	194,400	123,753	22,961	62,530	271,493	191,358
change of principle payment (Δp : p2-p1)	194,400	78,138	4,026	18,434	208,579	178,935
% change of principle payment ($\Delta p/p1$)	194,400	190%	14%	52%	520%	380%

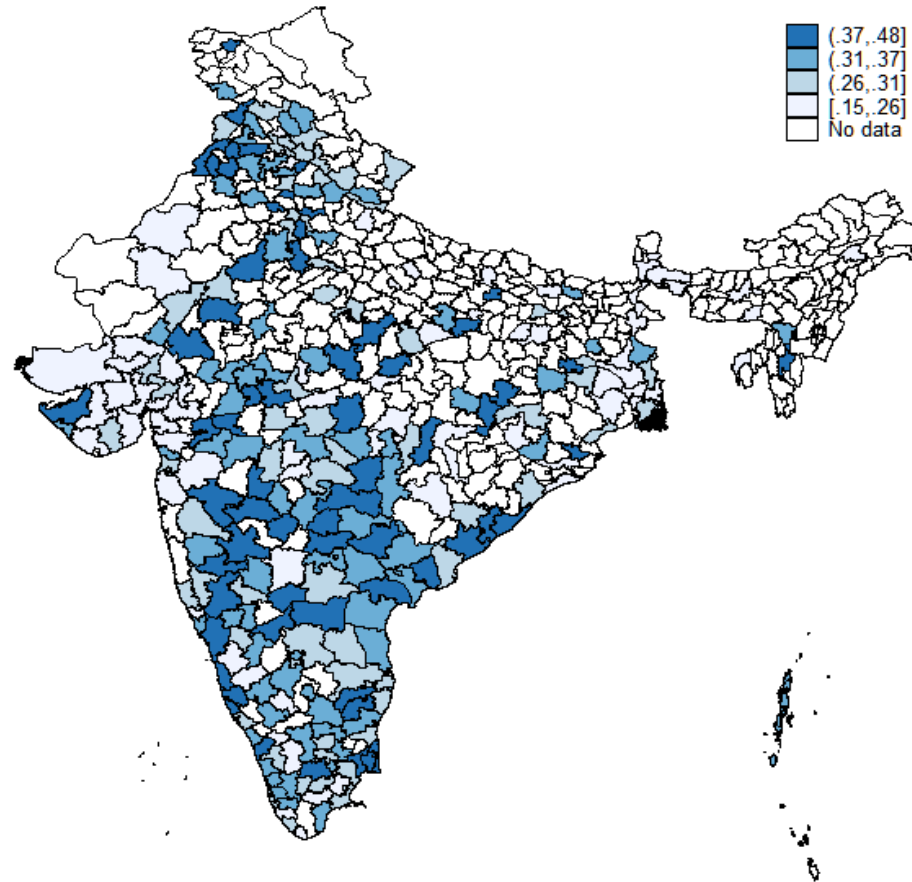
Panel C: 27.67% home loan borrowers reduce annual total repayment

	N	mean	p10	p50	p90	sd
principle payment 1 (p1: 2013:09-2014:09)	173,460	55,260	15,956	40,866	120,140	42,154
principle payment 2 (p2: 2014:09-2015:09)	173,460	37,028	6,295	31,177	87,715	48,184
change of principle payment (Δp : p2-p1)	173,460	-18,231	-54,569	-4,418	4,446	46,397
% change of principle payment ($\Delta p/p1$)	173,460	-29%	-80%	-13%	11%	63%

- Large proportion of mortgage loan borrowers increase principle payment in the post policy year and it is not due to the mechanical mortgage amortization schedule.

Results (Mortgage Loan Principle Payment-Geographical Distribution)

% mtg loan borrowers who increase total loan payment
from FY13 to FY14



Introduction

Main Findings

Policy
Background

Hypothesis

Methodology

Data & Sample

Results

Conclusion

Results (Who increases principle payment?)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
==1 if married	-0.00821*** (0.00181)	-0.00887*** (0.00182)	-0.00901*** (0.00196)	-0.00879*** (0.00210)	-0.00994*** (0.00212)	-0.0104*** (0.00227)
age	-0.000599*** (0.000110)	-0.000741*** (0.000111)	-0.000803*** (0.000117)	-0.000402*** (0.000125)	-0.000428*** (0.000127)	-0.000504*** (0.000135)
loan term	3.18e-05 (3.85e-05)	-0.000106*** (3.88e-05)	-5.27e-05 (4.19e-05)	0.000286*** (5.09e-05)	0.000160*** (5.15e-05)	0.000228*** (5.56e-05)
loan amount	-2.15e-07** (1.09e-07)	-2.56e-07** (1.04e-07)	-2.34e-07** (1.04e-07)	-2.18e-07* (1.14e-07)	-2.46e-07** (1.09e-07)	-2.55e-07** (1.17e-07)
interest rate	0.0148*** (0.000532)	0.0131*** (0.000524)	0.0130*** (0.000570)	0.0168*** (0.00400)	0.0109*** (0.00407)	0.0113*** (0.00434)
primary collateral value		0 (5.81e-11)	-4.15e-09** (1.80e-09)		1.22e-09** (5.96e-10)	-4.69e-09** (2.07e-09)
loan amount/primary collateral value			-0.0366*** (0.00742)			-0.0398*** (0.00877)
Constant	0.347*** (0.0830)	0.404*** (0.0798)	0.412*** (0.0810)	0.274*** (0.0959)	0.355*** (0.0937)	0.385*** (0.102)
principle balance X months to maturity fixed effect	Y	Y	Y			
principle balance X months to maturity X interest rate fixed effect				Y	Y	Y
Observations	433,390	413,579	376,431	356,018	340,097	309,718
R-squared	0.149	0.156	0.169	0.189	0.196	0.212

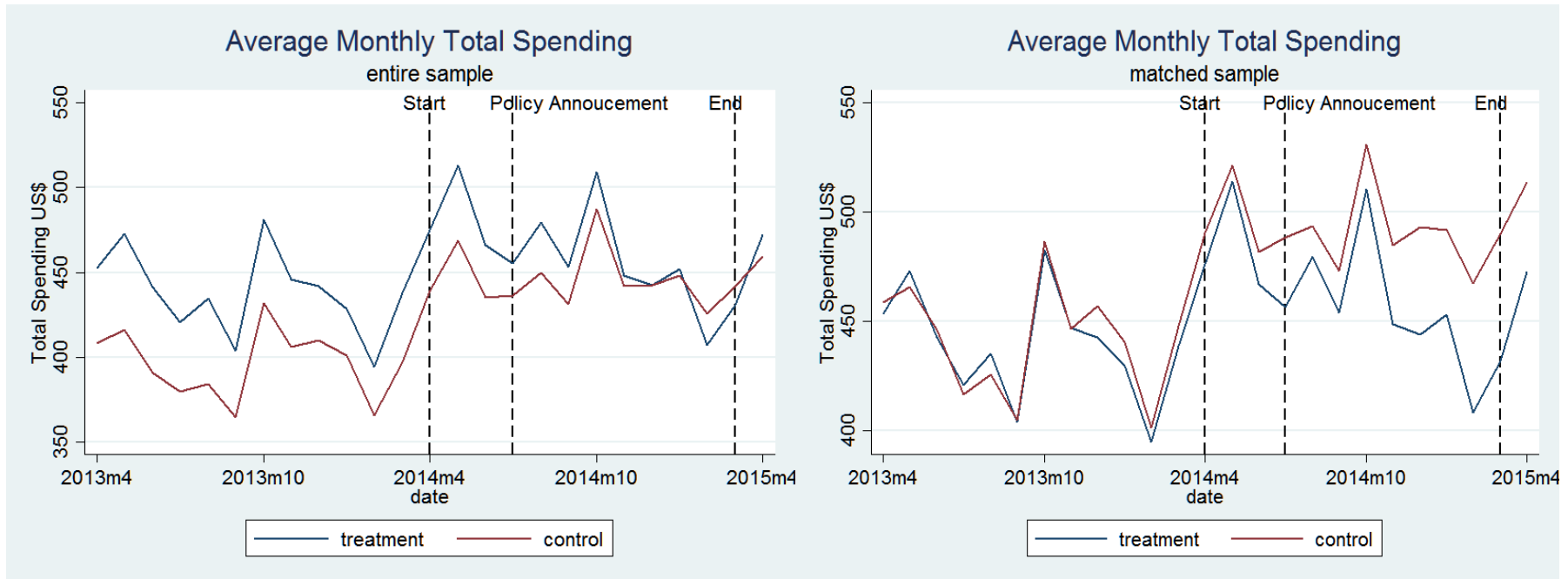
- Single and young individuals are more likely to increase principle payment

Data and Sample (debit card)

- Debit Card Data
 - Time Range: April 2013 to April 2015.
 - Geographical Coverage: Delhi, Mumbai, Kolkata, Bangalore, Chennai
 - Demographic: age, gender, marital status, annual income, residential postal code
 - Consumption Measure
 - cash withdrawal from branch & cash withdrawal through ATM
 - Point of Sale (P.O.S.) transactions
 - Matching (P-score)
 - Nearest one neighborhood matching with no replacement caliper at 0.01

	N	Mean	Std.	N	Mean	Std.	diff
	matched treatment group			matched control group			
age	12,515	45	9	12,515	45	9.9	-0.008
gender (male=1, female=0)	12,515	0.87	0.34	12,515	0.87	0.34	0.004
marital status (married=1, single=0)	12,515	0.75	0.43	12,515	0.75	0.43	-0.002
annual income	12,515	618,618	571,797	12,515	618,645	702,101	26.56
current account balance (2015:02)	7,904	107,560	2,085,661	7,904	194,003	509,108	86,443***
saving account balance (2015:02)	11,925	105,934	1,714,973	6,983	377,687	895,395	271,753***

Results (unconditional average plots)



- The treatment group reduces the consumption level relative to the control group upon policy announcement.

Results (diff-in-diff estimation)

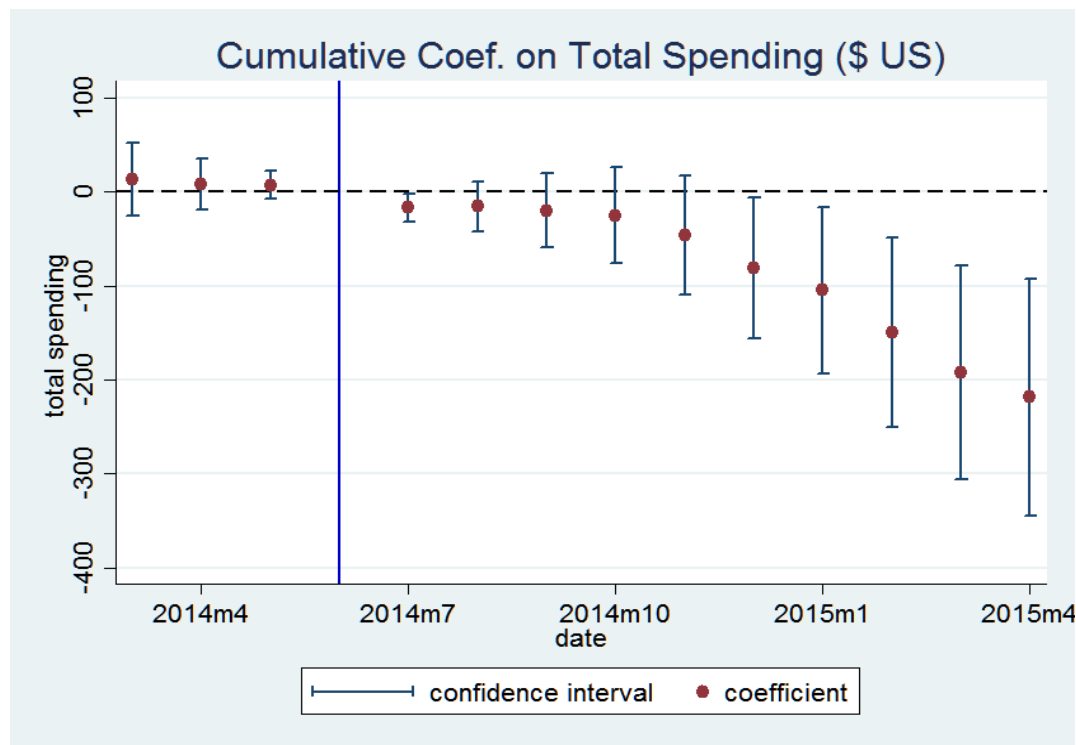
$$Y_{i,t} = \alpha_0 \times HLB_i \times 1_{post\ m0} + \gamma_t + \gamma_i + \epsilon_{i,t}$$

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	\$ Total Spending	ln(\$ Total Spending)	\$ cash	ln(\$ cash)	# cash withdrawal	\$ POS	ln(\$ POS)	# POS
HLB*Post	-25.14*** (4.525)	-0.0521** (0.0265)	-21.92*** (4.263)	-0.0558** (0.0275)	-0.132*** (0.0303)	-3.218*** (1.075)	-0.0759** (0.0296)	-0.0298 (0.0191)
constant	443.4*** (2.903)	8.588*** (0.0169)	402.8*** (2.752)	8.265*** (0.0179)	4.569*** (0.0192)	40.60*** (0.697)	2.760*** (0.0192)	1.129*** (0.0113)
Fixed Effect	individual, year-month							
No. of Obs	350,420	350,420	350,420	350,420	350,420	350,420	350,420	350,420
R squared	0.385	0.467	0.386	0.491	0.584	0.290	0.418	0.614

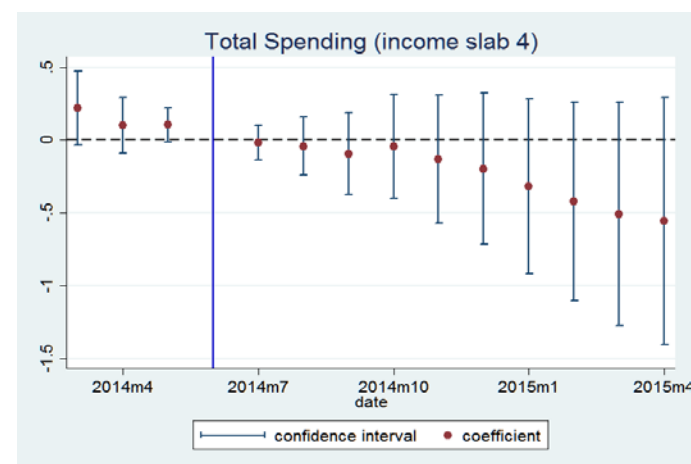
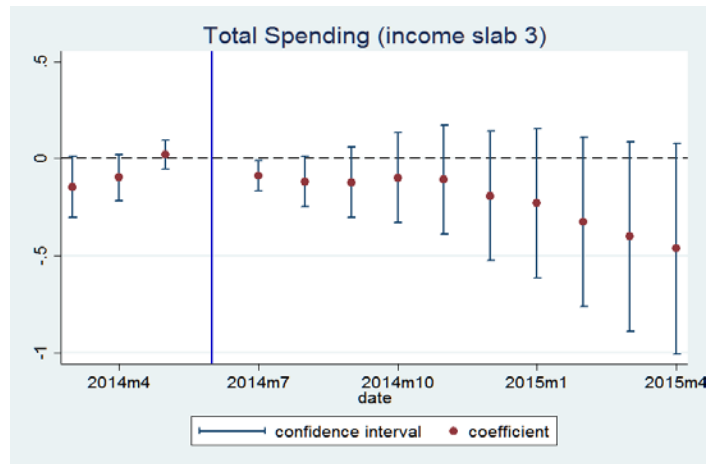
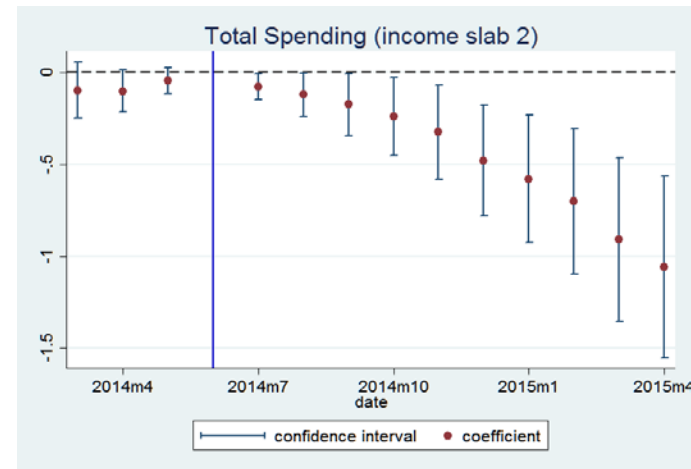
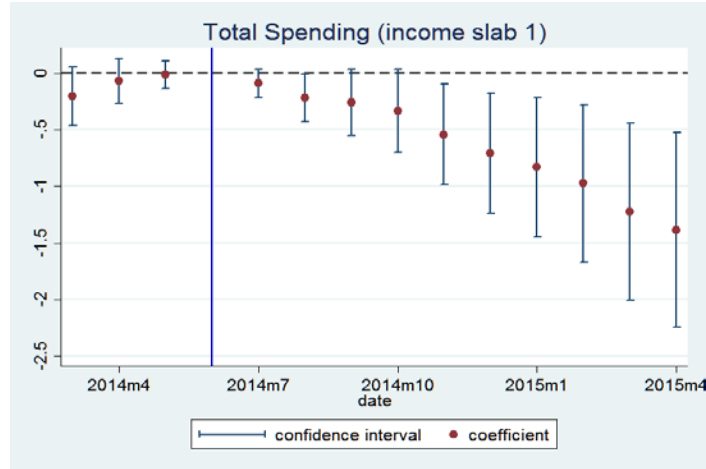
- In the post treatment period, the home loan borrowers (HLB) reduce total spending, \$ cash withdrawal, # cash withdrawal, \$POS transactions.

Results (dynamic estimation)

$$Y_{i,t} = \sum_{t=-1}^{-\tau} \alpha_t \times HMB_i \times 1_t + \sum_{t=1}^T \alpha_t \times HMB_i \times 1_t + \gamma_t + \gamma_i + \epsilon_{i,t}$$

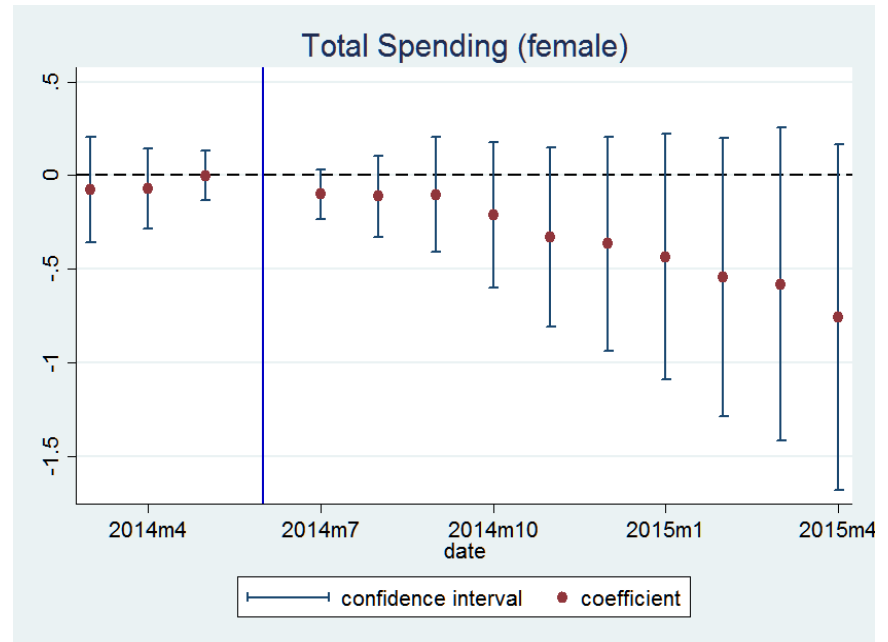
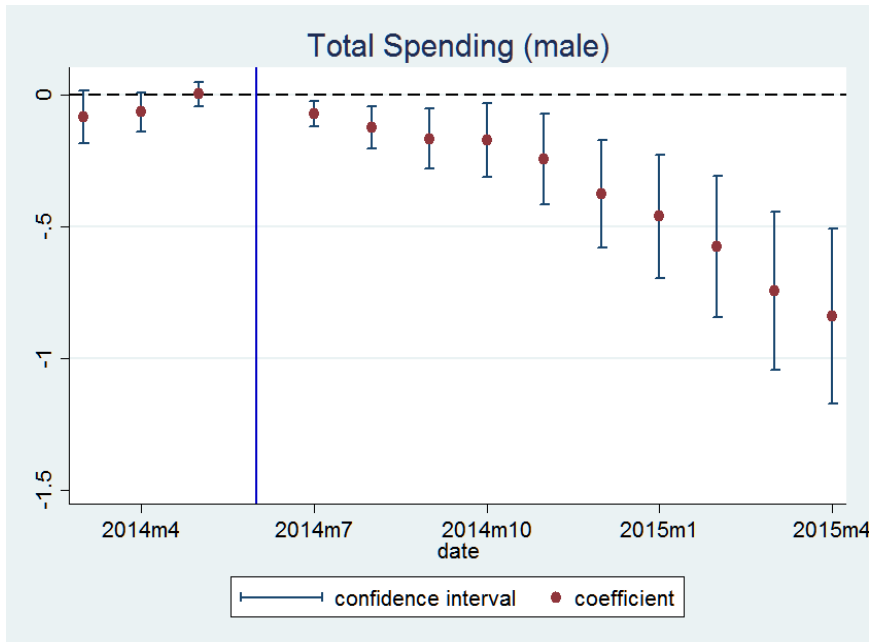


Results (Heterogeneity-Income)



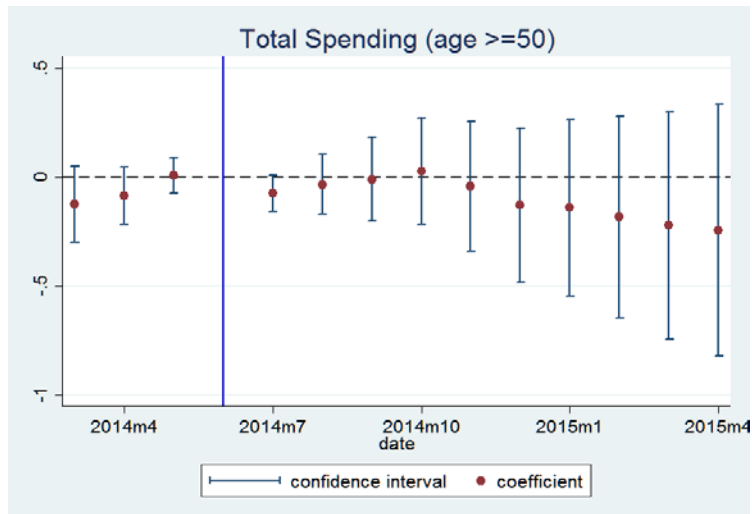
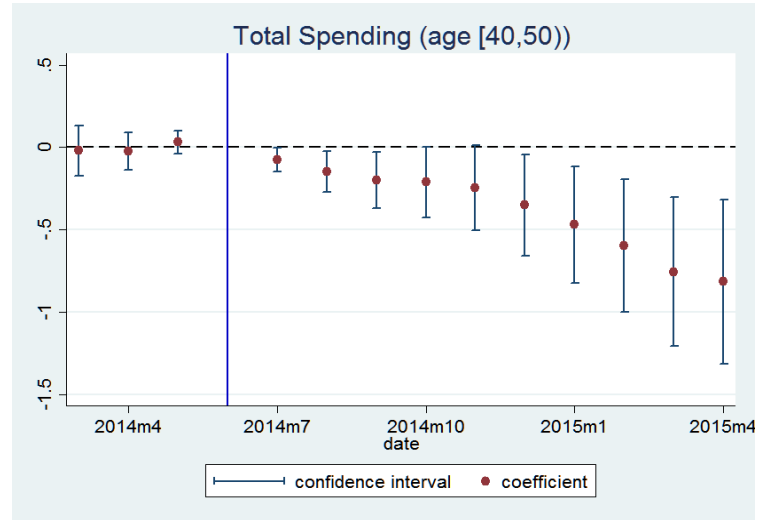
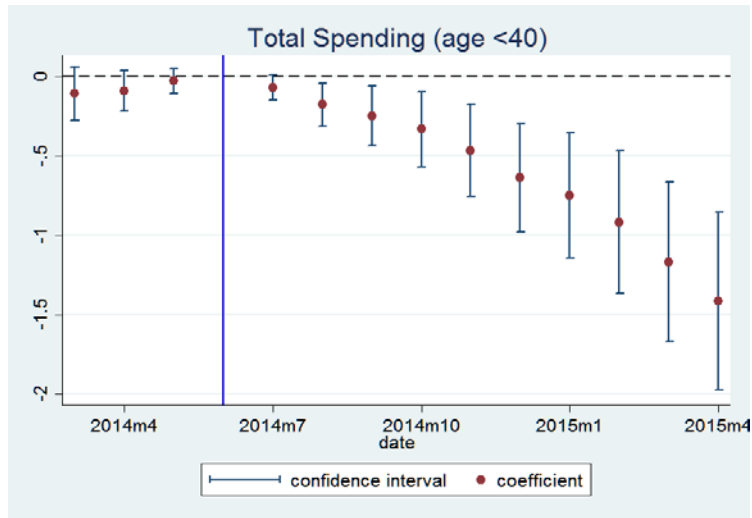
- Low income households are more likely to cut on consumption level.

Results (Heterogeneity-gender)



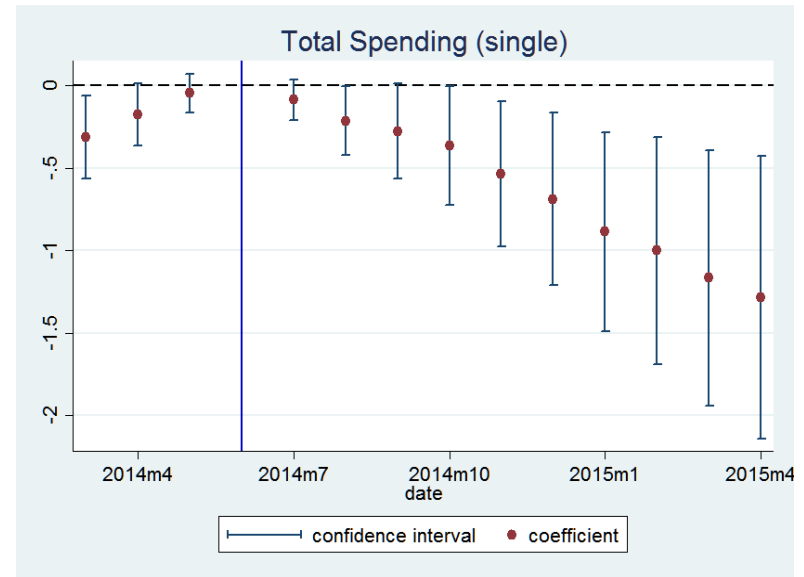
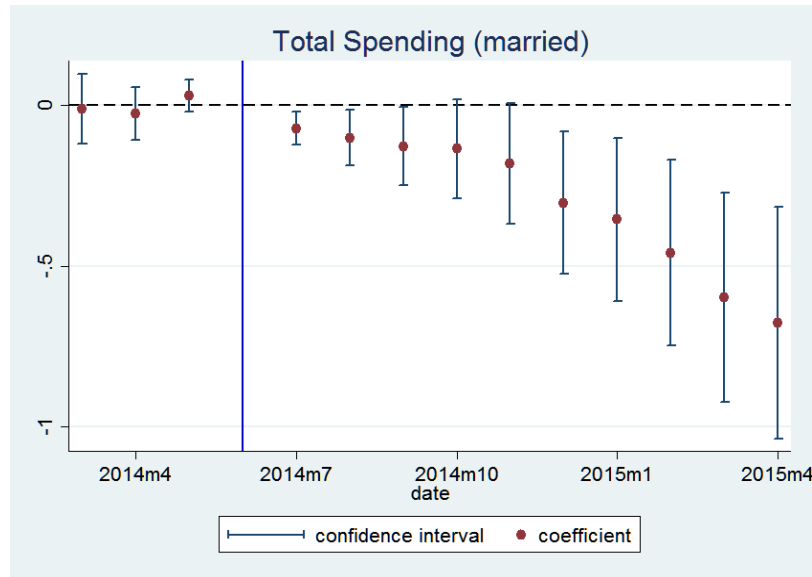
- The male are more likely to cut on consumption level.

Results (Heterogeneity-age groups)



- The young consumers are more likely to cut on consumption level.

Results (Heterogeneity-marital status)



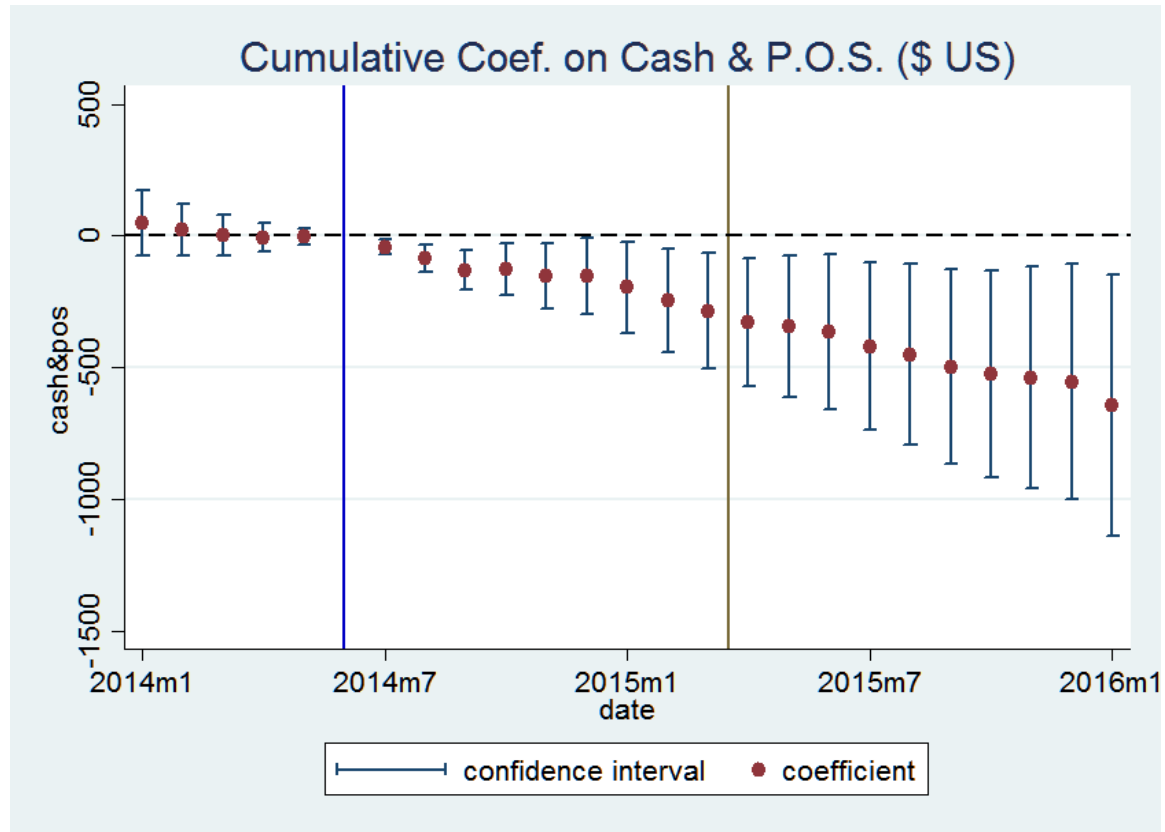
- The single consumers cut more on consumption level.

Results (debit and credit card)

Panel A: Matched Sample (2014:01/2014:04-2016:02)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	\$ Total Spending	ln (\$ Total Spending)	\$ cash&POS	ln (\$ cash&POS)	\$ credit card spending	ln (\$ credit card spending)	\$ End of Month Balance	ln (\$ End of Month Balance)
HLB*Post (post if after 2014:07)	-21.27*** (5.769)	-0.0892*** (0.0200)	-19.91*** (4.318)	-0.101*** (0.0177)	0.739 (1.329)	-0.0350* (0.0185)	33.25 (36.33)	0.0210 (0.0140)
constant	476.7*** (3.776)	4.812*** (0.0123)	399.1*** (3.038)	4.576*** (0.0119)	47.36*** (0.942)	1.659*** (0.0117)	1,293*** (17.82)	5.584*** (0.00894)
Fixed Effect	individual, year-month							
No. of Obs	579,416	579,416	654,992	654,992	579,416	579,416	653,846	653,846
R squared	0.338	0.429	0.358	0.447	0.203	0.280	0.552	0.626

- Debit card consumption estimation is consistent in two samples
- The reduction in consumption persists in FY 2015.
- There is no relative consumption difference for credit card.
- The reduction in consumption does not result in the increase on the account balance.

Results (persistence)



- The reduction in consumption persists at similar amount in the next fiscal year.

Placebo Tests

- ▶ Replicate the DID test in FY2013. ([click](#))
 - ▶ No relative consumption level difference between the treatment and control
- ▶ Replicate the DID test for PPF account holders. ([click](#))
 - ▶ PPF account holders deposit more in FY 2014.
 - ▶ However, there is no relative consumption level difference between PPF account holders and non-PPF account holders
- ▶ Replicate the dynamic tests for the mortgage loan borrowers who do not increase principle payment. ([click](#))
 - ▶ No relative consumption level difference between the treatment and control
- ▶ High principle payment borrowers (control) VS Low principle payment borrowers (treatment). ([click](#))
 - ▶ Main results remain, statistically insignificant due to limited power.

Other Confounding Effect and the Interpretation of the Results

▶ Lower Bound Estimation

- ▶ Consumers without a mortgage may also reduce consumption to increase savings through other saving instruments
- ▶ Consumers may have mortgage loans with other banks
- ▶ Consumption by cash

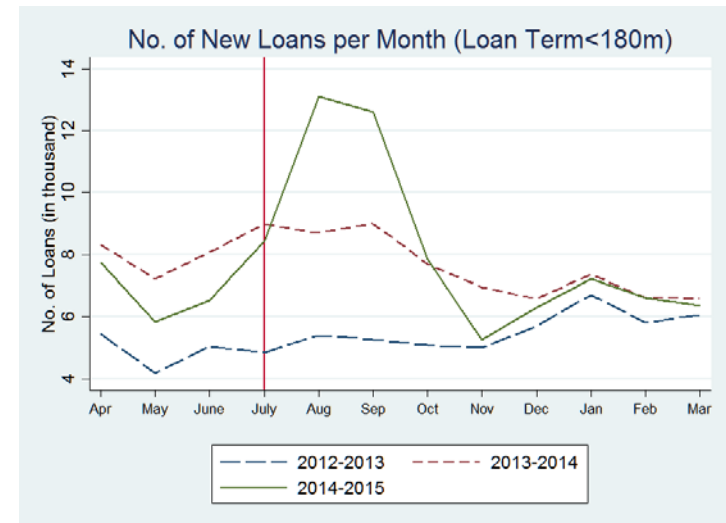
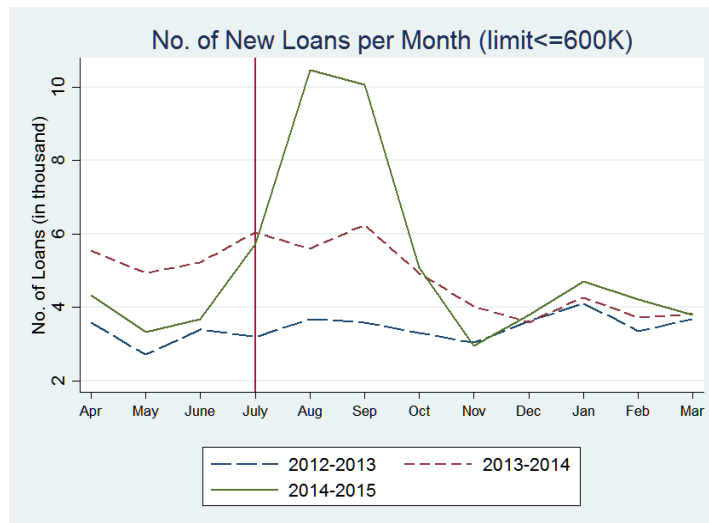
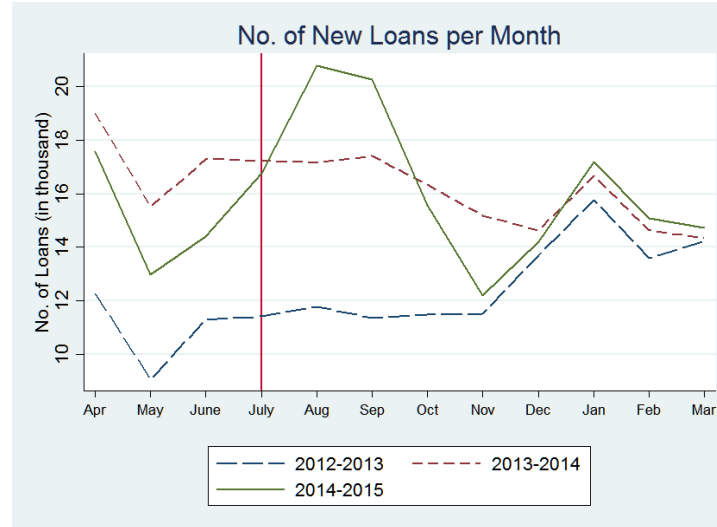
▶ Floating Interest Rate ([click](#))

- ▶ Slightly decline during the sample period
- ▶ Effect on amortization schedule is negligible

▶ Housing Price

- ▶ No evidence showing abrupt change of housing price during the sample period
- ▶ No relative consumption difference for those who do not increase mortgage principle payment with the control group

Extensive Margin Effect (new mortgage originations)

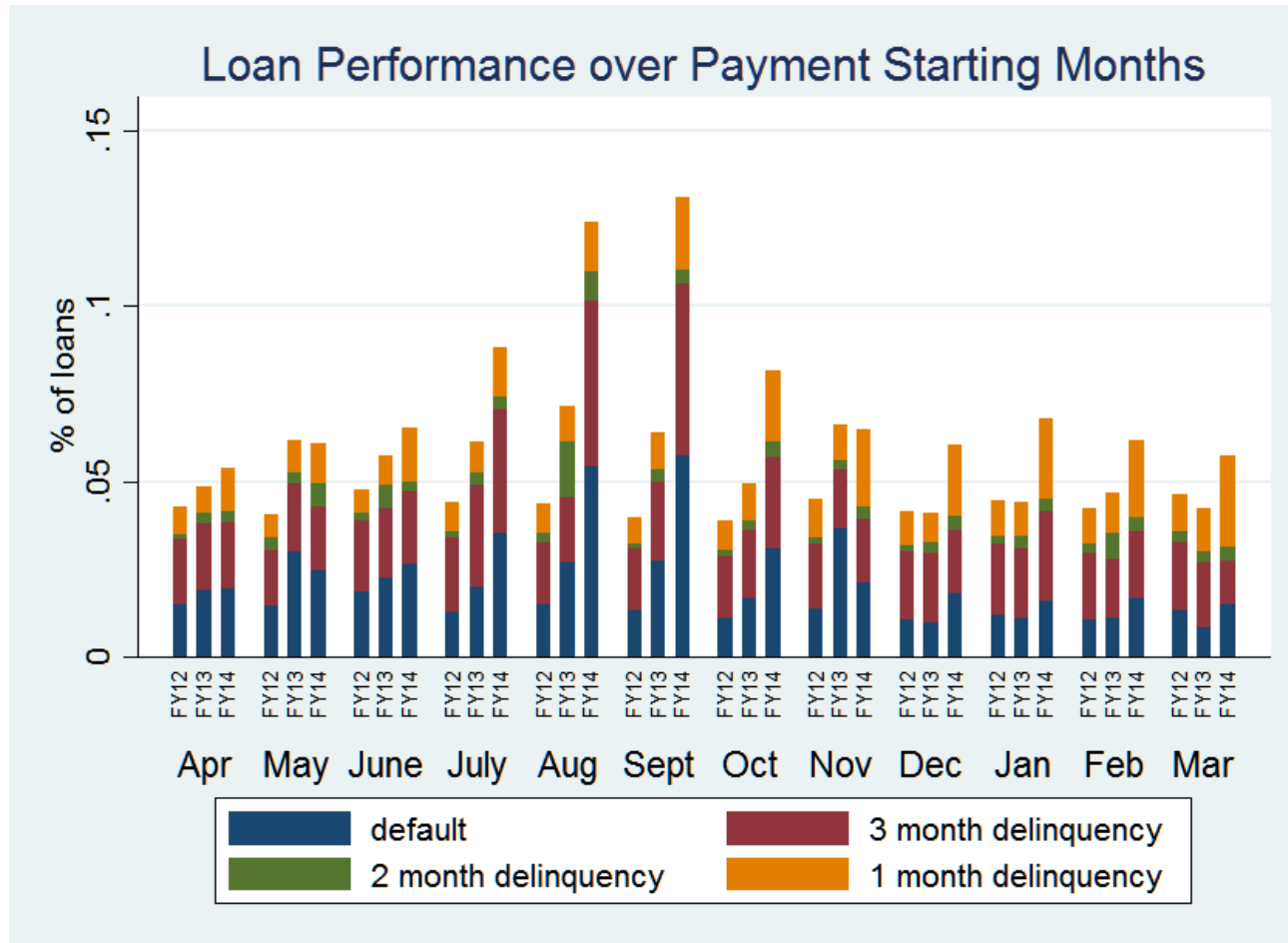


Extensive Margin Effect (new mortgage originations)

FY 2014	N	mean	median	mean	median	mean	median	mean	median	mean	median	mean	median	mean	median
month		age		loan term		loan amount		EMI		collateral value		loan amount/collateral value		interest rate	
Apr	16,957	44.79	44	203.39	198	1494.7	1100	15.24	11.23	2788.0	2000	0.580	0.61	9.67	9.85
May	12,564	44.69	44	202.03	192	1430.6	1100	14.64	11.21	2713.9	1980	0.576	0.60	9.75	9.85
June	13,944	44.38	44	203.79	196	1422.5	1058	14.59	11.05	2655.2	1960	0.580	0.61	9.71	9.85
July	16,240	43.87	43	199.99	181	1267.8	1000	12.98	9.78	2389.2	1746	0.580	0.62	9.76	9.85
Aug	20,253	42.86	42	190.01	180	964.3	600	9.85	6.34	1820.2	1093	0.588	0.62	9.80	9.95
Sept	19,763	42.76	42	189.27	180	974.9	601	9.95	6.57	1837.5	1150	0.586	0.63	9.81	9.95
Oct	15,074	43.60	43	200.43	180	1310.6	1000	13.36	10.61	2446.2	1820	0.591	0.62	9.75	9.85
Nov	11,749	44.20	44	206.75	204	1510.5	1185	15.21	11.72	2869.2	2043	0.587	0.62	9.58	9.85
Dec	13,689	44.48	44	205.64	198	1426.1	1100	14.24	11.19	2720.6	2000	0.579	0.61	9.46	9.85
Jan	16,616	44.39	44	207.99	204	1455.4	1100	14.41	10.95	2813.2	2000	0.577	0.61	9.41	9.85
Feb	14,588	44.11	44	208.73	201	1509.2	1100	14.96	11.03	2874.7	1995	0.585	0.63	9.40	9.85
Mar	14,255	43.94	44	208.68	204	1529.0	1170	15.22	11.62	2837.4	2080	0.583	0.62	9.48	9.85

- The mortgage loans originated in two months time after the policy announcement are borrowed by younger people, the loan term is shorter, loan amount is smaller, EMI is lower, collateral value is lower but the loan to value ratio and interest rate is similar.

Extensive Margin Effect (new mortgage originations)



Conclusion

- ▶ First to test on whether tax subsidized policy can increase private saving in an emerging economy.
- ▶ Tackle the question by directly test on whether consumers finance the tax subsidized saving account by reducing consumption.
- ▶ Policy effectively induces the sub group of the population (mortgage borrowers) to save more. Such behavior is not reversed back in the second fiscal year.
- ▶ Low income, liquidity constrained consumers also take active actions in response to the policy change.



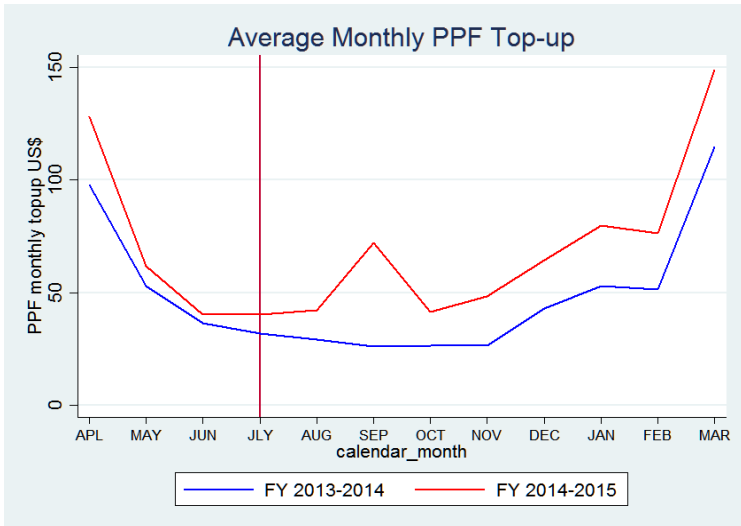
Placebo 1

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	\$ Total Spending	ln(\$ Total Spending)	\$ cash	ln(\$ cash)	# cash withdrawal	\$ POS	ln(\$ POS)	# POS
HLB*Post	-4.066 (4.688)	-0.0319* (0.0177)	-4.150 (4.461)	-0.0246 (0.0180)	-0.0116 (0.0315)	0.0838 (1.063)	0.000512 (0.0150)	-0.0223 (0.0175)
constant	456.3*** (2.916)	4.940*** (0.0105)	416.8*** (2.763)	4.771*** (0.0108)	4.541*** (0.0191)	39.49*** (0.731)	1.195*** (0.00985)	0.900*** (0.00998)
Fixed Effect	individual, year-month							
No. of Obs	325,390	325,390	325,390	325,390	325,390	325,390	325,390	325,390
R squared	0.389	0.546	0.387	0.550	0.603	0.300	0.472	0.611

- There is no relative difference in terms of consumption level between the treatment and control group in FY 2013 before and after July.
([Back](#))



Placebo 2

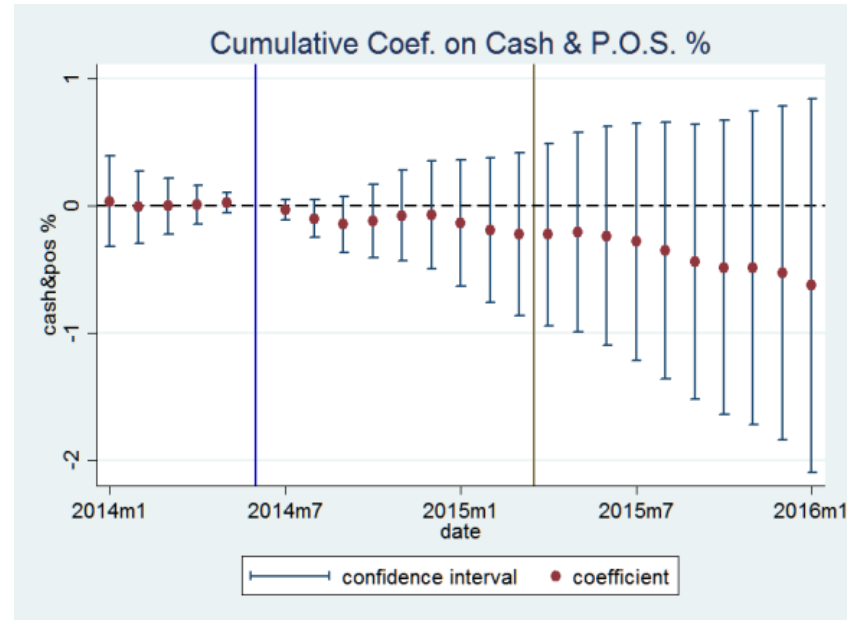
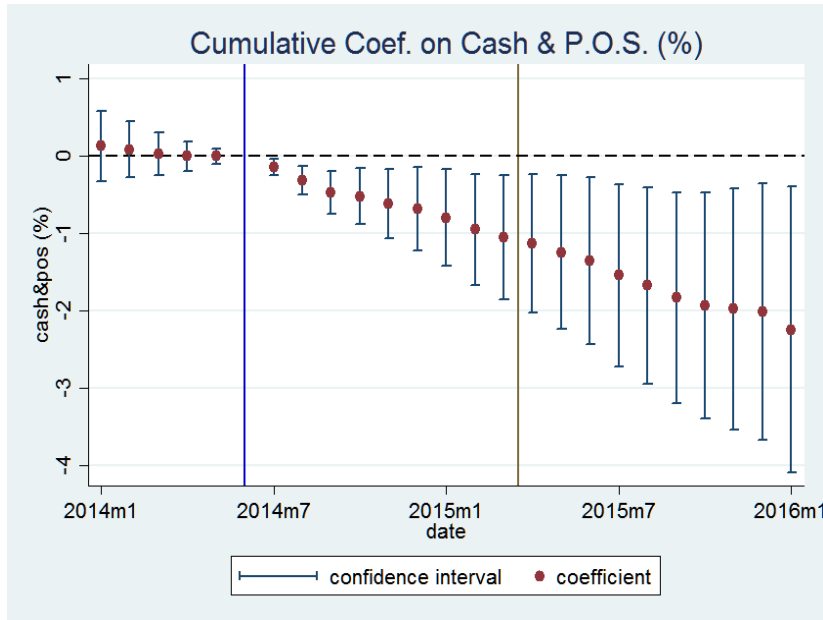


	\$ Total Spending	ln(\$ Total Spending)	\$ cash	ln(\$ cash)	\$ POS	ln(\$ POS)
PPFXPost	-2.344 (5.837)	0.0274 (0.0478)	-2.118 (5.296)	-0.0263 (0.0478)	-0.226 (1.716)	0.0640 (0.0433)
constant	314.3*** (3.754)	6.824*** (0.0305)	273.0*** (3.480)	6.195*** (0.0312)	41.29*** (1.095)	2.552*** (0.0277)
Fixed Effect	individual, year-month					
No. of Obs	172,340	172,340	172,340	172,340	172,340	172,340
R squared	0.419	0.474	0.422	0.519	0.306	0.394

- PPF account holders increase monthly deposit on PPF accounts in FY 2014 after July with an average of 15,287 INR.
 - PPF holders do not reduce consumption in comparison with the non PPF holders.
- ([back](#))



Placebo 3



- For the mortgage loan borrowers who increase the principle payment by more than 10K INR.

- There is no relative difference in terms of consumption level between the treatment and control group for the mortgage loan borrowers who do not increase the principle payment. ([back](#))



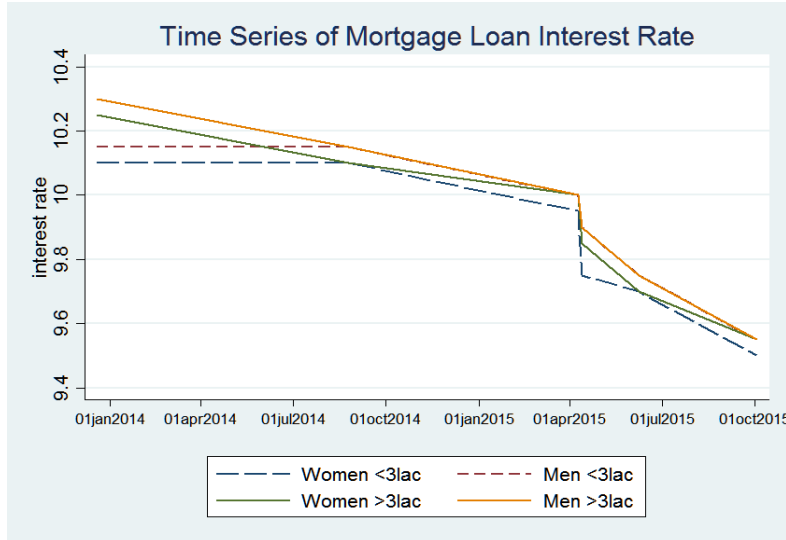
Placebo 4

Panel A: 201401/201404-201602				
	(1)	(2)	(3)	(4)
	\$ Total Spending	ln(\$ Total Spending)	\$ Cash&POS	ln (\$ Cash&POS)
HMB_ \$PrincRepay*Post (Post is after 2014:07)	-26.77 (24.17)	-0.0283 (0.0859)	-7.970 (16.91)	-0.0398 (0.0747)
constant	539.9*** (15.20)	4.857*** (0.0538)	445.6*** (13.29)	4.586*** (0.0512)
Fixed Effect	individual, year-month			
No. of Obs	33,166	33,166	37,492	37,492
R squared	0.307	0.426	0.343	0.448
Panel B: 201401/201404-201406				
	(1)	(2)	(3)	(4)
	\$ Total Spending	ln(\$ Total Spending)	\$ Cash&POS	ln (\$ Cash&POS)
HMB_ \$PrincRepay*Post (post if after 2014:03 or 2014:05)	24.46 (47.08)	0.153 (0.136)	18.68 (25.91)	0.0277 (0.0955)
constant	539.9*** (13.81)	4.857*** (0.0437)	445.6*** (12.49)	4.586*** (0.0452)
Fixed Effect	individual, year-month			
No. of Obs	4,326	4,326	8,652	8,652
R-squared	0.592	0.715	0.506	0.635

- ([back](#))



Floating Interest Rate



	N	mean	p10	p50	p90	Std.
months to maturity	811,123	132	67	129	205	53
balance at Sep 2014	811,123	618,692	129,735	432,177	1359389	561,136
annual change in required amount of payment (10.3% to 10.15%)	811,123	272	68	203	565	226
annual change in required amount of payment (10.3% to 9.55%)	811,123	-1,388	-2,884	-1,035	-347	1,150

[\(Back\)](#)

Appendix (income tax policy)

FY 2013			FY 2014			FY 2015
Age below 60						
income level	Tax Rate	exemption limit	income level	Tax Rate	exemption limit	exemption limit
<=Rs. 200,000	Nil		<=Rs. 250,000	Nil		
Rs. 200,001-Rs.500,000	10%	Rs. 200,000	Rs. 250,001-Rs.500,000	10%	Rs.250,000	Rs.250,000
Rs. 500,001-Rs.1,000,000	20%		Rs. 500,001-Rs.1,000,000	20%		
>=1,000,001	30%		>=1,000,001	30%		
Age 60-80						
income level	Tax Rate	exemption limit	income level	Tax Rate	exemption limit	exemption limit
<=Rs. 250,000	Nil		<=Rs. 300,000	Nil		
Rs. 250,001-Rs.500,000	10%	Rs.250,000	Rs. 300,001-Rs.500,000	10%	Rs.300,000	Rs.300,000
Rs. 500,001-Rs.1,000,000	20%		Rs. 500,001-Rs.1,000,000	20%		
>=1,000,001	30%		>=1,000,001	30%		
Age >80						
income level	Tax Rate	exemption limit	income level	Tax Rate	exemption limit	exemption limit
<=Rs. 500,000	Nil		<=Rs. 500,000	Nil		
Rs. 500,001-Rs.1,000,000	20%	Rs. 500,000	Rs. 500,001-Rs.1,000,000	20%	Rs. 500,000	Rs. 500,000
>=1,000,001	30%		>=1,000,001	30%		

([back](#))