

[Home](#) / [Business](#) / [Economy & Business](#) / [SCSS is a win-win for senior citizens](#)

## SCSS is a win-win for senior citizens

Tucked away among the multitude of bank deposit schemes is a hidden gem offering an unheard of 9.3% interest for senior citizens. Deccan Herald takes



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While most banks offer senior citizens a special interest rate on their fixed deposits (usually 0.25% or 0.5% per annum higher), the Senior Citizens Savings Scheme (SCSS) — which was introduced in 2004 — offers an interest rate of 9.3 per cent, which is considered the highest when compared with other schemes offered by banks for senior citizens.

The scheme has been notified under Section 15 of the Government Savings Banks Act, 1873 (5 of 1873), and is described as Senior Citizens Savings Scheme Rules, 2004. According to the website of the Ministry of Finance, it came into force on August 2, 2004.

SCSS offers interest rate of 9.3 per cent from financial year April 1, 2015. One can deposit in the account in multiples of Rs 1,000, and the maximum amount should not exceed Rs 15 lakh.

One important thing that senior citizens have to understand is that the amount is taxable, says Mimi Partha Sarathy, founder and MD of Sinhasi Consultants, a boutique firm that offers financial planning and financial advisory services.

“It’s a very good scheme for senior citizens who fall under the lower income tax bracket. For example, a senior citizen who doesn't want to take risk with equities or mutual funds (MFs), will get nearly Rs 1.39 lakh interest per annum for a deposit of Rs 15 lakh,” she says.

Since it is a taxable product one has to understand what tax slab he/she falls under, based on which investments can be made, Mimi added.

At present, 24 nationalised banks — including State Bank of India and other State Bank Group banks — and one private sector bank, ICICI Bank, are authorised to handle SCSS 2004, according to the RBI website. The scheme is available at post offices too.

Feroze Azeez, Deputy CEO of Anand Rathi Private Wealth Management, says, “It is one of the safe investment options for senior citizens provided by select banks. The investment under the scheme can be for a minimum period of five years, which can be extended by three years. The interest income is compounded quarterly and is taxable. The rate of interest offered is 9.3 per cent, which is one of the highest available.”

When asked whether senior citizens are aware of this particular scheme, both Azeez and Mimi Partha

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options like NSC, NPS, PPF, Bank FD, etc., this scheme offers a higher rate of interest. For example, interest rate on FD for senior citizens varies from bank to bank. But almost all banks provide interest between 8–8.75 per cent per annum, whereas SCSS offers 9.3 per cent interest,” Azeez said.

Interest is TDS-free

Comparing SCSS with other schemes, SBI Bengaluru Circle chief general manager Rajni Mishra says the rate of interest is 9.30 per cent per annum, which is higher than the bank’s Senior Citizen Deposit and that the interest earned on SCSS is TDS-free. Under regular schemes for senior citizens, TDS is deducted, or else customer has to give form 15H or 15 G.

“In case of regular schemes for senior citizens, employees taking VRS will not get the benefit of the senior citizen rate of interest. But in SCSS, VRS beneficiaries can deposit from their retirement benefits. Premature withdrawal is possible after one year with penalty, though the fine is higher in case of SCSS,” she said.

In Karnataka, SBI handles 8,419 SCSS accounts amounting to Rs 311.06 crore. When asked whether SBI is creating any awareness among the senior citizens on the same, she answered in the affirmative, adding that all senior citizens are eligible to deposit under this scheme. While employees taking VRS can also participate, their deposits have to be from their retirement benefits only.

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