

Senior Citizens Aged 75 or More: When No Income Tax Return Is Needed (Form 125, Tax Year 2026-27)

Description

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Quick summary

- A resident aged 75 or more whose only income is pension and interest from the same specified bank, and who gives the bank a declaration in Form 125, need not file a return for a year in which the bank deducts tax (section 263(8)(b), earlier section 194P).
- The bank works out the tax on the total income after Chapter VIII deductions and the section 156 rebate, and deducts it at the rates in force (Rule 208).
- The relief is lost if there is any other income, such as rent or interest from another bank, or if the bank does not deduct tax under the provision.
- Higher TDS and TCS for non-filers (old sections 206AB and 206CCA) were omitted from 1 April 2025 and are not in the 2025 Act.

A retired person whose income is only a pension and the interest on the account into which the pension is paid can be spared the trouble of a return. The rule was section 194P of the 1961 Act; in the Income-tax Act, 2025 it is split between the definition of a “specified senior citizen” (section 402(39)), the relief from filing a return (section 263(8)(b)) and the bank’s duty to deduct tax (section 393(1), Table serial 8(iii)).

Who is a “specified senior citizen”

An individual who is:

1. a **resident in India**;
2. aged **75 years or more** at any time during the tax year;
3. having **pension income** and **no other income** except interest received or receivable from an account kept in the **same specified bank** in which the pension is received; and
4. someone who has furnished a **declaration** to that specified bank, in the prescribed form and manner.

A **specified bank** is a banking company that the Central Government has notified for the purpose (section 402(35)).

What the relief is

Section 263 is the section that requires a return. Section 263(8)(b) says it does not apply to a specified senior citizen for the tax year in which tax has been deducted at source by the specified bank under section 393(1), Table serial 8(iii). So **no return is needed for that year**. The section on updated returns (section 263(6)) also does not apply to such a person for that year.

How the bank deducts tax (Rule 208)

- You give the bank a **declaration in Form 125**. It asks for your PAN, date of birth, the pension payer and pension payment order number, your accounts with the bank, and whether you **opt out of the new regime** under section 202. In the declaration you state that you have no income other than pension and interest in the accounts with that bank.
- The bank computes your **total income** for the year after giving effect to the **deductions under Chapter VIII**, on the evidence you furnish during the year, and the **rebate under section 156**.
- It deducts **income-tax at the rates in force** on that total income (Rule 208(2)).
- The bank keeps the declaration and the evidence and must make them available to the Chief Commissioner when required (Rule 208(4)).

This means the bank, not you, finishes the tax computation for the year.

When the relief does not apply

- You have **other income**, for example rent, interest from a deposit with another bank, capital gains or dividends. You are then not a specified senior citizen and must file a return if your income exceeds the exemption limit.
- You did **not give the declaration** to the bank or it is not a specified bank.
- Your age is **below 75** in the whole tax year.
- You are a **non-resident**.

If any of these happens, file the return, using the TDS deducted by the bank as credit.

Example

A resident aged 78 receives a pension of ?6,00,000 a year through a specified bank and gets ?1,20,000 interest on his savings and fixed deposit accounts in the same bank. He has no other income. He gives Form 125 to the bank at the start of the year, and the bank works out his total income after the deductions and the rebate that apply and deducts tax if any is due. He need not file a return for that year.

If he also had ?30,000 of rent, he would not qualify, and he would have to file a return, with credit for the tax the bank deducted.

Higher TDS for non-filers is gone

Sections 206AB and 206CCA of the 1961 Act required higher TDS and TCS from a person who had not filed

returns. The Finance Act, 2025 omitted them from **1 April 2025**, and the Income-tax Act, 2025 has no such provision. Deductors no longer need to check whether a person has filed before deducting tax. The late fee and interest for a missed return still apply.

Practical advice for pensioners

1. Give **Form 125** to the bank at the beginning of the year, not the end.
2. Keep all savings and deposits **in the one specified bank** if you rely on this relief.
3. If your income changes, for example a rent receipt starts, tell the bank and file a return.
4. Check your **Form 130** and the pension TDS for the year, and the annual information statement, for any other income reported against your PAN.

Frequently asked questions

Who need not file an ITR at age 75?

A resident individual aged 75 or more at any time in the tax year whose only income is pension, plus interest from an account in the same specified bank that pays the pension, who has furnished the declaration in Form 125 to that bank, and from whose income the bank has deducted tax (section 402(39) and section 263(8)(b)).

What if I have rent or interest from another bank?

Then you are not a specified senior citizen for that year. You must file a return if your income exceeds the exemption limit, and the bank cannot give you the benefit of this provision.

Who calculates the tax?

The specified bank. It computes your total income after the deductions under Chapter VIII (on the evidence you give during the year) and the rebate under section 156, and deducts tax at the rates in force (section 393(1), Table serial 8(iii), and Rule 208).

Which tax regime applies?

The new regime is the default. Form 125 asks whether you opt out of the new regime under section 202.

Is any bank allowed to do this?

Only a banking company notified by the Central Government as a specified bank (section 402(35)).

Are higher TDS rates for non-filers still there?

No. Sections 206AB and 206CCA of the 1961 Act were omitted from 1 April 2025 and the 2025 Act has no such provision.

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 263(8), 393(1), 402(35) and (39))
- Income Tax Department: Income-tax Rules, 2026 (Rule 208 and Form 125)
- TaxGuru: Budget 2025, removal of higher TDS and TCS for non-filers

Related reading

- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27

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