

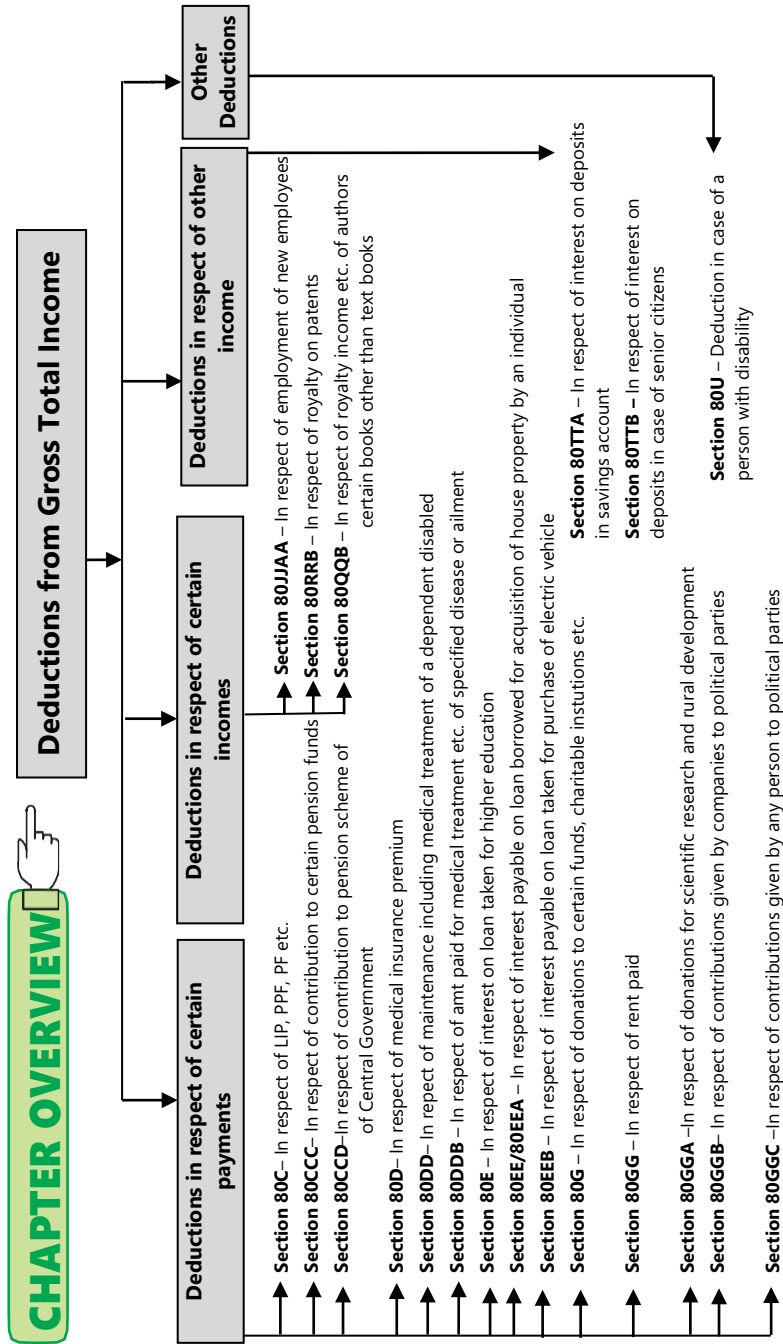
DEDUCTIONS FROM GROSS TOTAL INCOME



LEARNING OUTCOMES

After studying this chapter, you would be able to–

- ❑ **appreciate** the types of deductions allowable from gross total income;
- ❑ **identify** the assessee eligible for deduction under various sections;
- ❑ **compute** deductions in respect of payments, applying the provisions under the relevant sections;
- ❑ **compute** deductions in respect of certain income, applying the provisions under the relevant sections;
- ❑ **compute** the deduction allowable in the case of a person with disability.



1 GENERAL PROVISIONS

As we have seen earlier, section 10 exempts certain incomes. Such income are excluded from total income and do not enter into the computation process at all. On the other hand, Chapter VI-A contains deductions from gross total income. The important point to be noted here is that if there is no gross total income, then no deductions will be permissible. This Chapter contains deductions in respect of certain payments, deductions in respect of certain incomes, deductions in respect of other income and other deductions.

Section 80A

- (i) Section 80A(1) provides that in computing the total income of an assessee, there shall be allowed from his gross total income, the deductions specified in sections 80C to 80U.
- (ii) According to section 80A(2), the aggregate amount of the deductions under this chapter shall not, in any case, exceed the gross total income of the assessee.

Thus, an assessee cannot have a loss as a result of the deduction under Chapter VI-A and claim to carry forward the same for the purpose of set-off against his income in the subsequent year.

- (iii) Section 80A(3) provides that in the case of AOP/BOI, if any deduction is admissible under section 80G/80GGA/80GGC¹, no deduction under the same section shall be made in computing the total income of a member of the AOP or BOI in relation to the share of such member in the income of the AOP or BOI.
- (iv) The profits and gains allowed as deduction under section 10AA or under any provision of Chapter VI-A under the heading "C.-Deductions in respect of certain incomes" in any assessment year, shall not be allowed as deduction under any other provision of the Act for such assessment year [Section 80A(4)];
- (v) The deduction, referred to in (iv) above, shall not exceed the profits and gains of the undertaking or unit or enterprise or eligible business, as the case may be [Section 80A(4)];

¹80-IA/80-IB/80-IC/80-ID/80-IE (these sections will be dealt with at the Final level)

- (vi) No deduction under any of the provisions referred to in (iv) above, shall be allowed if the deduction has not been claimed in the return of income [Section 80A(5)];
- (vii) The transfer price of goods and services between such undertaking or unit or enterprise or eligible business and any other business of the assessee shall be determined at the market value of such goods or services as on the date of transfer [Section 80A(6)].
- (viii) For this purpose, the expression "market value" has been defined to mean,-
 - (a) in relation to any goods or services sold or supplied, the price that such goods or services would fetch if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any;
 - (b) in relation to any goods or services acquired, the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market, subject to statutory or regulatory restrictions, if any;
- (ix) Where a deduction under any provision of this Chapter under the heading "C – Deductions in respect of certain incomes" is claimed and allowed in respect of the profits of such specified business for any assessment year, no deduction under section 35AD is permissible in relation to such specified business for the same or any other assessment year.

In short, once the assessee has claimed the benefit of deduction under section 35AD for a particular year in respect of a specified business, he cannot claim benefit under Chapter VI-A under the heading "C.-Deductions in respect of certain incomes" for the same or any other year and vice versa.

Section 80AB

Deductions specified in Chapter VI-A under the heading "C.-Deductions in respect of certain incomes", shall be allowed only to the extent such income computed in accordance with the provisions of the Income-tax Act, 1961 is included in the gross total income of the assessee.

Section 80AC: Furnishing return of income on or before due date mandatory for claiming deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes"

- (i) **Section 80AC stipulates compulsory filing of return of income on or before the due date specified under section 139(1), as a pre-condition for availing benefit of deductions under any provision of Chapter VI-A under the heading "C. – Deductions in respect of certain incomes".**

Table showing the deductions contained in Chapter VI-A under the heading "C. – Deductions in respect of certain income"

Section	Deduction
80-IA	Deductions in respect of profits and gains from undertakings or enterprises engaged in infrastructure development/ operation/ maintenance, generation/ transmission/ distribution of power etc.
80-IAB	Deduction in respect of profits and gains derived by an undertaking or enterprise engaged in development of SEZ
80-IAC	Deduction in respect of profits and gains derived by an eligible start-up from an eligible business
80-IB	Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings
80-IBA	Deduction in respect of profits and gains from housing projects/rental housing projects
80-IE	Deduction in respect of profits and gains from manufacture or production of eligible article or thing, substantial expansion to manufacture or produce any eligible article or thing or carrying on of eligible business in North-Eastern States
80JJA	Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste
80JJAA	Deduction in respect of employment of new employees
80LA	Deduction in respect of certain income of Offshore Banking Units and International Financial Services Centre
80M	Deduction in respect of certain inter-corporate dividends
80P	Deduction in respect of income of co-operative societies

80PA	Deduction in respect of certain income of Producer Companies
80QQB	Deduction in respect of royalty income, etc., of authors of certain books other than text books
80RRB	Deduction in respect of royalty on patents

- (ii) The effect of this provision is that in case of failure to file return of income on or before the stipulated due date, the undertakings would lose the benefit of deduction under these sections.

Note: The deductions under section 80-IA to 80-IE, 80JJA, 80LA, 80M, 80P and 80PA in respect of certain incomes will be dealt with in detail at the Final Level.

ILLUSTRATION 1

Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

- (a) For grant of deduction under section 80JJAA, filing of audit report in prescribed form is must for a corporate assessee; filing of return within the due date laid down in section 139(1) is not required.
- (b) Filing of belated return under section 139(4) of the Income-tax Act, 1961 will debar an assessee from claiming deduction under section 80QQB

SOLUTION

- (a) **The statement is not correct.** Section 80AC stipulates compulsory filing of return of income on or before the due date specified under section 139(1), as a pre-condition for availing the benefit of deduction, *inter alia*, under section 80JJAA.
- (b) **The statement is correct.** As per section 80AC, the assessee has to furnish his return of income on or before the due date specified under section 139(1), to be eligible to claim deduction under, *inter alia*, section 80QQB.

Section 80B(5)

“Gross total income” means the total income computed in accordance with the provisions of the Act without making any deduction under Chapter VI-A. “Computed in accordance with the provisions of the Act” implies—

- (i) that deductions under appropriate computation section have already been given effect to;

- (ii) that income of other persons, if includible under sections 60 to 64, has been included;
- (iii) the intra head and/or inter head losses have been adjusted; and
- (iv) that unabsorbed business losses, unabsorbed depreciation etc., have been set-off.

Let us first consider the deductions allowable in respect of certain payments.



2. DEDUCTIONS IN RESPECT OF PAYMENTS

2.1 Deduction in respect of investment in specified assets [Section 80C]

(i) Deduction in respect of investment/contributions

Section 80C provides for a deduction from the Gross Total Income of savings in specified modes of investments. The deduction under section 80C is available only to an individual or HUF. The maximum permissible deduction under section 80C is ₹ 1,50,000. The following are the investments/contributions eligible for deduction –

(1) **Contribution in Unit-linked Insurance Plan 1971**

Contributions in the name of the individual, his or her spouse or any child of the individual for participation in the Unit-linked Insurance Plan 1971. In case of a HUF, the contribution can be in the name of any member.

(2) **Contribution in Unit-linked Insurance Plan of LIC Mutual Fund**

Contributions in the name of the individual, his or her spouse or any child of the individual for participation in any Unit linked Insurance Plan of the LIC Mutual Fund. In case of a HUF, the contribution can be in the name of any member.

(3) **Premium paid in respect of Life Insurance policy**

Premium paid on insurance on the life of the individual, spouse or any child (minor or major) and in the case of HUF, any member thereof. This will include a life policy and an endowment policy.

Exemption on receipts from Life insurance policy (LIP) [Section 10(10D)]: Any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy shall not be included in the total income of a person.

The following is a tabular summary of the exemption available under section 10(10D) and deduction allowable under section 80C *vis-à-vis* the date of issue of such policies –

	Exemption u/s 10(10D)	Deduction u/s 80C
In respect of policies issued before 1.4.2003	Any sum received under a LIP including the sum allocated by way of bonus is exempt.	Premium paid to the extent of 20% of "actual capital sum assured".
In respect of policies issued between 1.4.2003 and 31.3.2012	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 20% of "actual capital sum assured".	Premium paid to the extent of 20% of "actual capital sum assured".
In respect of policies issued on or after 1.4.2012 but before 1.4.2013	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 10% of actual capital sum assured [has the same meaning as described in (a) below].	Premium paid to the extent of 10% of "actual capital sum assured"
In respect of policies issued on or after 1.4.2013	(a) Where the insurance is on the life of a person with disability or severe disability as referred to in section 80U or a person suffering from disease or ailment as specified under section 80DDB.	
	Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy	Premium paid to the extent of 15% of "actual capital sum assured"

		exceeds 15% of "actual capital sum assured" i.e., "minimum capital sum assured" under the policy on the happening of the insured event at any time during the term of the policy, not taking into account - (i) the value of any premium agreed to be returned; or (ii) any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.	
	(b)	Where the insurance is on the life of any person, other than mentioned in (a) above	
		Any sum received under a LIP including the sum allocated by way of bonus is exempt. However, exemption would not be available if the premium payable for any of the years during the term of the policy exceeds 10% of "actual capital sum assured" (has the same meaning as described in (a) above).	Premium paid to the extent of 10% of "actual capital sum assured"
Any sum received on the death of a person would not be included in the total income of a person. The condition of payment of premium of 10% or 15% or 20% would not be applicable in such a case.			

Notes:

- (a) Exemption is not available in respect of amount received from an insurance policy taken for disabled person under section 80DD:**
Any sum received under section 80DD(3) shall not be exempt under section 10(10D). Accordingly, if the dependent disabled, in respect of whom an individual or the member of the HUF has paid or deposited

any amount in any scheme of LIC or any other insurer, predeceases the individual or the member of the HUF, the amount so paid or deposited shall be deemed to be the income of the assessee of the previous year in which such amount is received. Such amount would not be exempt under 10(10D).

- (b) Exemption is not available in respect of the sum received under a Keyman insurance policy:** Any sum received under a Keyman insurance policy shall also not be exempt.

Explanation 1 to section 10(10D) defines "Keyman insurance policy" as a life insurance policy taken by one person on the life of another person who is or was the employee of the first-mentioned person or is or was connected in any manner whatsoever with the business of the first-mentioned person. The term includes within its scope a keyman insurance policy which has been assigned to any person during its term, with or without consideration. Therefore, such policies shall continue to be treated as a keyman insurance policy even after the same is assigned to the keyman. Consequently, the sum received by the keyman on such policies, being "keyman insurance policies", would not be exempt under section 10(10D).

ILLUSTRATION 2

Compute the eligible deduction under section 80C for A.Y.2023-24 in respect of life insurance premium paid by Mr. Ganesh during the P.Y.2022-23, the details of which are given hereunder –

	<i>Date of issue of policy</i>	<i>Person insured</i>	<i>Actual capital sum assured (₹)</i>	<i>Insurance premium paid during 2022-23 (₹)</i>
(i)	30/3/2012	Self	6,00,000	48,000
(ii)	1/5/2017	Spouse	1,50,000	20,000
(iii)	1/6/2020	Handicapped son (section 80U disability)	4,00,000	80,000

SOLUTION

	Date of issue of policy	Person insured	Actual capital sum assured (₹)	Insurance premium paid during 2022-23 (₹)	Deduction u/s 80C for A.Y.2023-24 (₹)	Remark (restricted to % of sum assured) (₹)
(i)	30/3/2012	Self	6,00,000	48,000	48,000	20%
(ii)	1/5/2017	Spouse	1,50,000	20,000	15,000	10%
(iii)	1/6/2020	Handicapped son (section 80U disability)	4,00,000	80,000	60,000	15%
Total					1,23,000	

(4) Premium paid in respect of a contract for deferred annuity

Premium paid to effect and keep in force a contract for a deferred annuity on the life of the individual and/or his or her spouse or any child, provided such contract does not contain any provision for the exercise by the insured of an option to receive cash payments in lieu of the payment of the annuity.

It is pertinent to note here that a contract for a deferred annuity need not necessarily be with an insurance company. It follows therefore that such a contract can be entered into with any person.

(5) Any sum deducted from the salary payable of a Government employee for securing a deferred annuity

Amount deducted by or on behalf of the Government from the salary of a Government employee in accordance with the conditions of his service for securing a deferred annuity or making provision for his spouse or children. The excess, if any, over one-fifth of the salary is to be ignored.

(6) Contribution to SPF/PPF/RPF

Contributions to any provident fund to which the Provident Funds Act, 1925 applies and recognized provident fund qualifies for deduction under section 80C.

Contribution made to any Provident Fund set up by the Central Government and notified in his behalf (i.e., the Public Provident Fund established under the Public Provident Fund Scheme, 1968) also qualifies for deduction under section 80C. Such contribution can be made in the name of the individual, his spouse and any child of the individual; and any member of the family, in case of a HUF. The maximum limit for deposit in PPF is ₹ 1,50,000 in a year.

ILLUSTRATION 3

An individual assessee, resident in India, has made the following deposit/payment during the previous year 2022-23:

Particulars	₹
Contribution to the public provident fund	1,50,000
Insurance premium paid on the life of the spouse (policy taken on 1.4.2017) (Assured value ₹2,00,000)	25,000

What is the deduction allowable under section 80C for A.Y.2023-24?

SOLUTION**Computation of deduction under section 80C for A.Y.2023-24**

Particulars	₹
Deposit in public provident fund	1,50,000
Insurance premium paid on the life of the spouse (Maximum 10% of the assured value ₹ 2,00,000, as the policy is taken after 31.3.2012)	20,000
Total	1,70,000
However, the maximum permissible deduction u/s 80C is restricted to	1,50,000

(7) Contribution to approved superannuation Fund

Contribution by an employee to an approved superannuation fund qualifies for deduction under section 80C.

(8) Any sum paid or deposited in Sukanya Samridhi Account

Subscription to any such security of the Central Government or any such deposit scheme as the Central Government as may notify in the Official Gazette. Accordingly, Sukanya Samridhi Scheme has been notified to provide that any sum paid or deposited during the previous year in the said Scheme, by an individual in the name of –

- (a) any girl child of the individual; or
 - (b) any girl child for whom such individual is the legal guardian
- would be eligible for deduction under section 80C.

(9) Subscription to National Savings Certificates VIII

Subscription to any Savings Certificates under the Government Savings Certificates Act, 1959 notified by the Central Government in the Official Gazette (i.e. National Savings Certificate (VIII Issue) issued under the Government Savings Certificates Act, 1959).

(10) Contribution to approved annuity plan of LIC

Contributions to approved annuity plans of LIC (New Jeevan Dhara and New Jeevan Akshay, New Jeevan Dhara I and New Jeevan Akshay I, II and III) or any other insurer (Tata AIG Easy Retire Annuity Plan of Tata AIG Life Insurance Company Ltd.) as the Central Government may, by notification in the Official Gazette, specify in this behalf.

(11) Subscription towards notified units of mutual fund or UTI

Subscription to any units of any mutual fund or from the Administrator or the specified company under any plan formulated in accordance with such scheme notified by the Central Government;

(12) Contribution to notified pension fund set up by mutual fund or UTI

Contribution by an individual to a pension fund set up by any Mutual Fund or by the Administrator or the specified company as the Central Government may specify (i.e., UTI-Retirement Benefit Pension Fund set up by the specified company referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 as a pension fund).

“Specified company” means a company formed and registered under the Companies Act, 1956² and whose entire capital is subscribed by such financial institutions or banks as may be specified by the Central Government, by notification in the Official Gazette, for the purpose of transfer and vesting of the undertaking

“Administrator” means a person or a body of persons appointed as Administrator by the Central Government. The Central Government shall appoint a person or a body of persons, as the “Administrator of the specified undertaking of the Unit Trust of India” for the purpose of taking over the administration thereof and the Administrator shall carry on the management of the specified undertaking of the Trust for and on behalf of the Central Government.

²Now Companies Act, 2013

“Specified undertaking” includes all business, assets, liabilities and properties of the Trust representing and relatable to the schemes and Development Reserve Fund.

(13) Contribution to National Housing Bank (Tax Saving) Term Deposit Scheme, 2008

Subscription to any deposit scheme or contribution to any pension fund set up by the National Housing Bank i.e., National Housing Bank (Tax Saving) Term Deposit Scheme, 2008.

(14) Subscription to notified deposit scheme

Subscription to any such deposit scheme of

- a public sector company which is engaged in providing long-term finance for construction, or purchase of houses in India for residential purposes or
- any such deposit scheme of any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages or for both.

The deposit scheme should be notified by the Central Government, for example, public deposit scheme of HUDCO.

(15) Payment of tuition fees to any university, college, school or other educational institution within India for full-time education for maximum 2 children

Payment of tuition fees by an individual assessee at the time of admission or thereafter to any university, college, school or **other educational institutions within India** for the purpose of full-time education of any two children of the individual. This benefit is only for the amount of tuition fees for full-time education and shall not include any payment towards development fees or donation or payment of similar nature and payment made for education to any institution situated outside India.

(16) Repayment of housing loan including stamp duty, registration fee and other expenses

Any payment made towards the cost of purchase or construction of a new residential house property. The income from such property –

- (i) should be chargeable to tax under the head "Income from house property";
- (ii) would have been chargeable to tax under the head "Income from house property" had it not been used for the assessee's own residence.

The approved types of payments are as follows:

- (a) Any instalment or part payment of the amount due under any self-financing or other schemes of any development authority, Housing Board or other authority engaged in the construction and sale of house property on ownership basis; or
- (b) Any instalment or part payment of the amount due to any company or a cooperative society of which the assessee is a shareholder or member towards the cost of house allotted to him; or
- (c) Repayment of amount borrowed by the assessee from:
 - I The Central Government or any State Government;
 - II Any bank including a co-operative bank;
 - III The Life Insurance Corporation;
 - IV The National Housing Bank;
 - V Any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is eligible for deduction under section 36(1)(viii);
 - VI Any company in which the public are substantially interested or any cooperative society engaged in the business of financing the construction of houses;
 - VII The assessee's employer, where such employer is an authority or a board or a corporation or any other body established or constituted under a Central or State Act;
 - VIII the assessee's employer where such employer is a public company or public sector company or a university established by law or a college affiliated to such university or a local authority or a co-operative society.
- (d) Stamp duty, registration fee and other expenses for the purposes of transfer of such house property to the assessee.

Inadmissible payments: However, the following amounts do not qualify for rebate:

- (A) admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming a shareholder or member; or
- (B) the cost of any addition or alteration or renovation or repair of the house property after the issue of the completion certificate in respect of the house property or after the house has been occupied by the assessee or any person on his behalf or after it has been let out; or
- (C) any expenditure in respect of which deduction is allowable under section 24.

(17) Subscription to certain equity shares or debentures

Subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form.

(18) Subscription to certain units of mutual fund

Subscription to any units of any mutual fund and approved by the Board on an application made by such mutual fund in the prescribed form.

It is necessary that such units should be subscribed only in the eligible issue of capital of any company.

(19) Investment in five year term deposit

Investment in term deposit

- (i) for a period of not less than five years with a scheduled bank; and
- (ii) which is in accordance with a scheme framed and notified by the Central Government in the Official Gazette

qualifies as an eligible investment for availing deduction under section 80C.

The maximum limit for investment in term deposit is ₹ 1,50,000.

Scheduled bank means -

- (1) the State Bank of India constituted under the State Bank of India Act, 1955, or
- (2) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, or

- (3) a corresponding new bank constituted under section 3 of the -
 - (a) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or
 - (b) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or
- (4) any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934.

(20) Subscription to notified bonds issued by NABARD

Subscription to such bonds issued by NABARD (as the Central Government may notify in the Official Gazette) qualifies for deduction under section 80C.

(21) Investment in five year Post Office time deposit

Investment in five year time deposit in an account under Post Office Time Deposit Rules, 1981 qualifies for deduction under section 80C.

(22) Deposit in Senior Citizens Savings Scheme Rules, 2004

Deposit in an account under the Senior Citizens Savings Scheme Rules, 2004 qualifies for deduction under section 80C.

(23) Contribution to additional account under NPS

Contribution by a Central Government employee to additional account under NPS (specified account) referred to in section 80CCD for a fixed period of not less than 3 years and which is in accordance with the scheme notified by the Central Government for this purpose qualifies for deduction under section 80C. It may be noted that only the contribution to the additional account under NPS will qualify for deduction under section 80C.

There are two types of NPS account i.e., Tier I and Tier II, to which an individual can contribute. Section 80CCD provides deduction in respect of contribution to individual pension account [Tier I account] under the NPS [referred to in section 20(2)(a) of the Pension Fund Regulatory and Development Authority Act, 2013 (PFRDA)] whereas deduction under section 80C is allowable in respect of contribution by Central Government employee to additional account [Tier II account] of NPS [referred to in section 20(3) of the PFRDA], which does not qualify for deduction under section 80CCD. **Thus, Tier II account is the additional account under NPS, contribution to which would qualify for deduction under section 80C only in the hands of a Central Government employee.**

(ii) Termination of Insurance Policy or Unit Linked Insurance Plan or transfer of House Property or withdrawal of deposit:

Where, in any previous year, an assessee:

- (i) terminates his contract of insurance referred to in (3) above, by notice to that effect or where the contract ceases to be in force by reason of not paying the premium, by not reviving the contract of insurance, -
 - (a) in case of any single premium policy, within two years after the date of commencement of insurance; or
 - (b) in any other case, before premiums have been paid for two years; or
- (ii) terminates his participation in any Unit Linked Insurance Plan referred to in (1) or (2) above, by notice to that effect or where he ceases to participate by reason of failure to pay any contribution, by not reviving his participation, before contributions in respect of such participation have been paid for five years, or
- (iii) transfers the house property referred to in (16) above, before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sum specified in (16) above, then, no deduction will be allowed to the assessee in respect of sums paid during such previous year and the total amount of deductions of income allowed in respect of the previous year or years preceding such previous year, shall be deemed to be income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

Further, where any amount is withdrawn by the assessee from his account under the Senior Citizens Savings Scheme or under the Post Office Time Deposit Rules before the expiry of a period of 5 years from the date of its deposit, the amount so withdrawn shall be deemed to be the income of the assessee of the previous year in which the amount is withdrawn. Accordingly, the amount so withdrawn would be chargeable to tax in the assessment year relevant to such previous year. The amount chargeable to tax would also include that part of the amount withdrawn which represents interest accrued on the deposit.

However, if any part of the amount relating to interest so received or withdrawn has been subject to tax in any of the earlier years, such amount shall not be taxed again.

If any amount has been received by the nominee or legal heir of the assessee, on the death of such assessee, the amount would not be chargeable to tax. But if the amount relating to interest on deposit was not included in the total income of the assessee in any of any earlier years, then such interest would be chargeable to tax.

2.2 Deduction in respect of contribution to certain pension funds [Section 80CCC]

- (i) **Eligible assessee:** Where an assessee, being an individual, has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund set up by LIC or such other insurer, he shall be allowed a deduction in the computation of his total income.

For this purpose, the interest or bonus accrued or credited to the assessee's account shall not be reckoned as contribution.

Note: Where any amount paid or deposited by the assessee has been taken into account for the purposes of this section, a deduction under section 80C shall not be allowed with reference to such amount.

- (ii) **Maximum Deduction:** The maximum permissible deduction is ₹ 1,50,000 (Further, the overall limit of ₹ 1,50,000 prescribed in section 80CCE will continue to be applicable i.e. the maximum permissible deduction under sections 80C, 80CCC and 80CCD(1) put together is ₹ 1,50,000).
- (iii) **Deemed Income:** Where any amount standing to the credit of the assessee in the fund in respect of which a deduction has been allowed, together with interest or bonus accrued or credited to the assessee's account is received by the assessee or his nominee on account of the surrender of the annuity plan in any previous year or as pension received from the annuity plan, such amount will be deemed to be the income of the assessee or the nominee in that previous year in which such withdrawal is made or pension is received. It will be chargeable to tax as income of that previous year.

2.3 Deduction in respect of contribution to pension scheme notified by the Central Government [Section 80CCD]

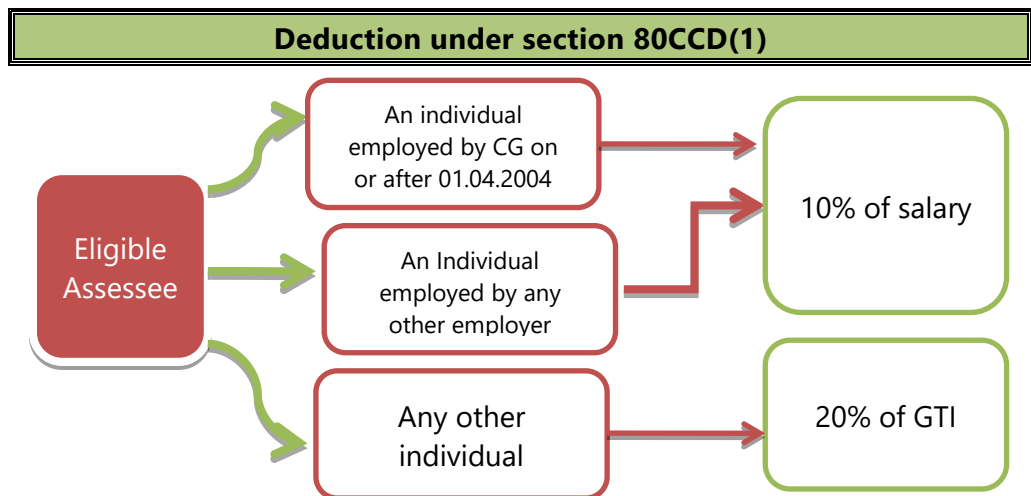
(i) **Pension Scheme of Central Government:** As per the "Restructured Defined Contribution Pension System" applicable to new entrants to Government service, it is mandatory for persons entering the service of the Central Government on or after 1st January, 2004, to contribute 10% of their salary every month towards their pension account. A matching contribution is required to be made by the Government to the said account. The benefit of this scheme is also available to individuals employed by any other employer as well as to self-employed individuals.

(ii) **Deduction:** Section 80CCD provides deduction in respect of contribution made to the pension scheme notified by the Central Government.

Accordingly, in exercise of the powers conferred by section 80CCD(1), the Central Government has notified the 'Atal Pension Yojana (APY)' as a pension scheme, contribution to which would qualify for deduction under section 80CCD in the hands of the individual.

(iii) **Quantum of deduction:**

(a) Section 80CCD(1) provides a deduction for the amount paid or deposited by an employee in his pension account subject to a maximum of 10% of his salary. The deduction in the case of a self-employed individual would be restricted to 20% of his gross total income in the previous year.



- (b) Section 80CCD(1B) provides for an additional deduction of up to ₹ 50,000 in respect of the whole of the amount paid or deposited by an individual assessee under NPS in the previous year, whether or not any deduction is allowed under section 80CCD(1).
- (c) Whereas the deduction under section 80CCD(1) is subject to the overall limit of ₹ 1.50 lakh under section 80CCE (i.e the maximum permissible deduction under sections 80C, 80CCC and 80CCD(1) put together), the deduction of upto ₹ 50,000 under section 80CCD(1B) is in addition to the overall limit of ₹ 1.50 lakh provided under section 80CCE.
- (d) Under section 80CCD(2), contribution made by the Central Government **or State Government** or any other employer in the previous year to the said account of an employee, is allowed as a deduction in computation of the total income of the assessee.
- (e) The entire employer's contribution would be included in the salary of the employee. However, deduction under section 80CCD(2) would be restricted to **14% of salary**, in case of contribution made by the Central Government **or State Government**, and to **10% of salary**, in case of contribution made by any other employer.

Notes:

1. The limit of ₹ 1,50,000 under section 80CCE does not apply to employer's contribution to pension scheme of Central Government which is allowable as deduction under section 80CCD(2).
2. No deduction will be allowed under section 80C in respect of amounts paid or deposited by the assessee, for which deduction has been allowed under section 80CCD(1) or under section 80CCD(1B).

- (iv) **Deemed Income:** The amount standing to the credit of the assessee in the pension account (for which deduction has already been claimed by him under this section) and accretions to such account, shall be taxed as income in the year in which such amounts are received by the assessee or his nominee on -
- (a) closure of the account or
 - (b) his opting out of the said scheme or

- (c) receipt of pension from the annuity plan purchased or taken on such closure or opting out.

However, the amount received by the nominee on the death of the assessee under the circumstances referred to in (a) and (b) above, shall not be deemed to be the income of the nominee.

Further, the assessee shall be deemed not to have received any amount in the previous year if such amount is used for purchasing an annuity plan in the same previous year.

Notes:

1. Exemption on payment from NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme [Section 10(12A)]

- (i) As per section 80CCD, any payment from National Pension System Trust to an assessee on account of closure or his opting out of the pension scheme is chargeable to tax.
- (ii) Section 10(12A) provides that any payment from National Pension System Trust to an assessee on account of closure or his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed **60%** of the total amount payable to him at the time of closure or his opting out of the scheme, shall be exempt from tax.

2. Exemption on payment from NPS Trust to an employee on partial withdrawal [Section 10(12B)]

To provide relief to an employee subscriber of NPS, section 10(12B) provides that any payment from National Pension System Trust **to an employee** under the pension scheme referred to in section 80CCD, on partial withdrawal made out of his account in accordance with the terms and conditions specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made there under, shall be exempt from tax to the extent it does not exceed 25% of amount of contributions made by him.

2.4 Limit on deductions under sections 80C, 80CCC & 80CCD(1) [Section 80CCE]

This section restricts the aggregate amount of deduction under section 80C, 80CCC and 80CCD(1) to ₹ 1,50,000. It may be noted that the deduction of upto ₹ 50,000 under section 80CCD(1B) and employer's contribution to pension scheme, allowable as deduction under section 80CCD(2) in the hands of the employee, would be outside the overall limit of ₹ 1,50,000 stipulated under section 80CCE.

The following table summarizes the ceiling limit under these sections—

Section	Particulars	Ceiling limit (₹)
80C	Investment in LIP, Deposit in PPF/SPF/RPF etc.	1,50,000
80CCC	Contribution to certain pension funds	1,50,000
80CCD(1)	Contribution to NPS of Government	10% of salary Or 20% of GTI, as the case may be.
80CCE	Aggregate deduction under sections 80C, 80CCC & 80CCD(1)	1,50,000
80CCD(1B)	Contribution to NPS notified by the Central Government (outside the limit of ₹ 1,50,000 under section 80CCE)	50,000
80CCD(2)	Contribution by the Central Government or State Government to NPS A/c of its employees (outside the limit of ₹ 1,50,000 under section 80CCE)	14% of salary
	Contribution by any other employer to NPS A/c of its employees (outside the limit of ₹ 1,50,000 under section 80CCE)	10% of salary

Note: For computation of limit under section 80CCD(1) and (2), salary includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

ILLUSTRATION 4

The basic salary of Mr. A is ₹ 1,00,000 p.m. He is entitled to dearness allowance, which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr. A and his employer, ABC Ltd., contribute 15% of basic salary to the pension scheme referred to in section 80CCD. Explain the tax treatment in respect of such contribution in the hands of Mr. A.

SOLUTION**Tax treatment in the hands of Mr. A in respect of employer's and own contribution to pension scheme referred to in section 80CCD**

- (a) Employer's contribution to such pension scheme would be treated as salary since it is specifically included in the definition of "salary" under section 17(1)(viii). Therefore, ₹ 1,80,000, being 15% of basic salary of ₹ 12,00,000, will be included in Mr. A's salary.
- (b) Mr. A's contribution to pension scheme is allowable as deduction under section 80CCD(1). However, the deduction is restricted to 10% of salary. Salary, for this purpose, means basic pay plus dearness allowance, if it forms part of pay.

Therefore, "salary" for the purpose of deduction under section 80CCD for Mr. A would be –

Particulars	₹
Basic salary = ₹ 1,00,000 × 12 =	12,00,000
Dearness allowance = 40% of ₹ 12,00,000 = ₹ 4,80,000	
50% of Dearness Allowance forms part of pay = 50% of ₹ 4,80,000	2,40,000
Salary for the purpose of deduction under section 80CCD	14,40,000
Deduction under section 80CCD(1) is restricted to 10% of ₹ 14,40,000 (as against actual contribution of ₹ 1,80,000, being 15% of basic salary of ₹ 12,00,000)	1,44,000
As per section 80CCD(1B), a further deduction of upto ₹ 50,000 is allowable. Therefore, deduction under section 80CCD(1B) is ₹ 36,000 (₹ 1,80,000 - ₹ 1,44,000).	36,000

₹ 1,44,000 is allowable as deduction under section 80CCD(1). This would be taken into consideration and be subject to the overall limit of ₹ 1,50,000 under section 80CCE. ₹ 36,000 allowable as deduction under section 80CCD(1B) is outside the overall limit of ₹ 1,50,000 under section 80CCE.

In the alternative, ₹ 50,000 can be claimed as deduction under section 80CCD(1B). The balance ₹ 1,30,000 (₹ 1,80,000 - ₹ 50,000) can be claimed as deduction under section 80CCD(1).

- (c) Employer's contribution to pension scheme would be allowable as deduction under section 80CCD(2), subject to a maximum of 10% of salary. Therefore, deduction under section 80CCD(2), would also be restricted to ₹ 1,44,000,

even though the entire employer's contribution of ₹ 1,80,000 is included in salary under section 17(1)(viii). However, this deduction of employer's contribution of ₹ 1,44,000 to pension scheme would be outside the overall limit of ₹ 1,50,000 under section 80CCE i.e., this deduction would be over and above the other deductions which are subject to the limit of ₹ 1,50,000.

ILLUSTRATION 5

The gross total income of Mr. X for the A.Y.2023-24 is ₹ 8,00,000. He has made the following investments/payments during the F.Y.2022-23 –

Particulars		₹
(1)	Contribution to PPF	1,10,000
(2)	Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
(3)	Repayment of housing loan taken from Standard Chartered Bank	25,000
(4)	Contribution to approved pension fund of LIC	1,05,000

Compute the eligible deduction under Chapter VI-A for the A.Y.2023-24.

SOLUTION**Computation of deduction under Chapter VI-A for the A.Y.2023-24**

Particulars	₹
Deduction under section 80C	
- Contribution to PPF	1,10,000
- Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
- Repayment of housing loan	25,000
	1,80,000
Restricted to ₹ 1,50,000, being the maximum permissible deduction u/s 80C	1,50,000
Deduction under section 80CCC	
- Contribution to approved pension fund of LIC ₹ 1,05,000	1,05,000
	2,55,000
As per section 80CCE, the aggregate deduction under section 80C, 80CCC and 80CCD(1) has to be restricted to ₹ 1,50,000	
Deduction allowable under Chapter VIA for the A.Y. 2023-24	1,50,000

2.5 Deduction in respect of medical insurance premium [Section 80D]

1. In case of an Individual

- (i) **Deduction in respect of insurance premium paid for family:** A deduction to the extent of ₹ 25,000 is allowed in respect of the following payments –
- (1) premium paid to effect or to keep in force an insurance on the health of self, spouse and dependent children or
 - (2) any contribution made to the Central Government Health Scheme or
 - (3) such other health scheme as may be notified by the Central Government. Contributory Health Service Scheme of the Department of Space has been notified by the Central Government.
- (ii) **Deduction in respect of insurance premium for parents:** A further deduction up to ₹ 25,000 is allowable to effect or to keep in force an insurance on the health of parents of the assessee.

Quantum of deduction in case of senior citizen: An increased deduction of ₹ 50,000 (instead of ₹ 25,000) shall be allowed in case any of the persons mentioned above is a **senior citizen** i.e., an individual resident in India of the age of 60 years or more at any time during the relevant previous year.

- (iii) **Deduction in respect of payment towards preventive health check-up:** Section 80D provides that deduction to the extent of ₹ 5,000 shall be allowed in respect payment made on account of preventive health check-up of self, spouse, dependent children or parents during the previous year. However, the said deduction of ₹ 5,000 is within the overall limit of ₹ 25,000 or ₹ 50,000, specified in (i) and (ii) above.
- (iv) **Mode of payment:** For claiming deduction under section 80D, the payment can be made:
- (1) by any mode, including cash, in respect of any sum paid on account of preventive health check-up;
 - (2) by any mode other than cash, in all other cases.
- (v) **Deduction for medical expenditure incurred on senior citizens:** As a welfare measure towards **senior citizens** i.e., person of the age of 60 years or more and resident in India, who are unable to get health insurance coverage, deduction of upto ₹ 50,000 would be allowed in respect of any payment made

on account of medical expenditure in respect of a such person(s), if no payment has been made to keep in force an insurance on the health of such person(s).

'Senior citizen' means an individual resident in India who is of the age of 60 years or more at any time during the relevant previous year.

2. *In case of a HUF*

Deduction under section 80D is allowable in respect of premium paid to insure the health of any member of the family. The maximum deduction available to a HUF would be ₹ 25,000 and in case any member is a senior citizen, ₹ 50,000.

Further, the amount paid on account of medical expenditure incurred on the health of any member(s) of a family who is a resident senior citizen would qualify for deduction subject to a maximum of ₹ 50,000 provided no amount has been paid to effect or keep in force any insurance on the health of such person(s).

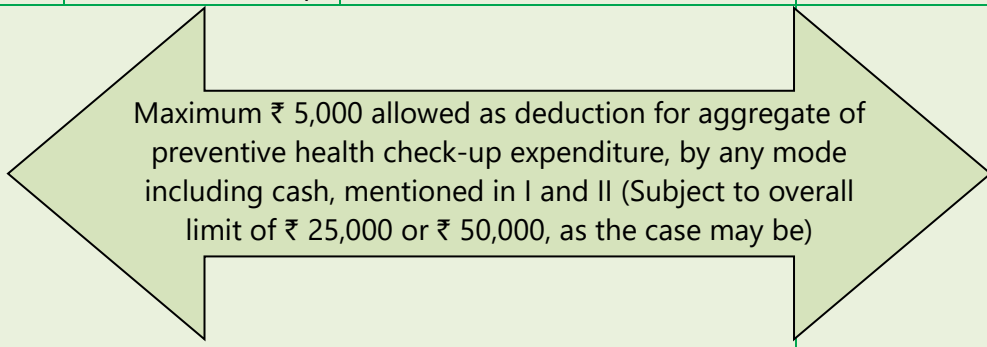
3. *Other conditions*

The other conditions to be fulfilled are that such premium should be paid by any mode, other than cash, in the previous year out of his income chargeable to tax. Further, the medical insurance should be in accordance with a scheme made in this behalf by -

- (a) the General Insurance Corporation of India and approved by the Central Government in this behalf; or
- (b) any other insurer and approved by the Insurance Regulatory and Development Authority.

The following table summarizes the provisions of section 80D –

S. No.	Nature of payment/ expenditure	Expenditure on behalf of	Deduction
I	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health	In case of individual	₹ 25,000
		In case of HUF	
		Self, spouse and dependent children	
		Family member	

	(ii) Contribution to Central Government Health Scheme (CGHS) (iii) Preventive health check up expenditure	In case any of the above persons is of the age of 60 years or more + resident in India	₹ 50,000
II	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health (ii) Preventive health check up	Parents In case either or both the parents is of the age of 60 years or more + Resident in India	₹ 25,000 ₹ 50,000
 <p>Maximum ₹ 5,000 allowed as deduction for aggregate of preventive health check-up expenditure, by any mode including cash, mentioned in I and II (Subject to overall limit of ₹ 25,000 or ₹ 50,000, as the case may be)</p>			
III	Amount paid on account of medical expenditure	For self/spouse/parents + who is of the age of 60 years or more + Resident in India + no payment has been made to keep in force an insurance on the health of such person	₹ 50,000

Note: In case the individual or any of his family members is a senior citizen, the aggregate of deduction, in respect of payment of premium, contribution to CGHS and medical expenditure incurred, as specified in **(I) & (III)** above, cannot exceed **₹ 50,000**.

In case one of the parents is a senior citizen who is covered under mediclaim policy and another is also a senior citizen but not covered under

mediclaim policy, the aggregate of deduction, in respect of payment of medical insurance premium and medical expenditure incurred, as specified in (II) & (III) above, cannot exceed ₹ 50,000.

4. Deduction where premium for health insurance is paid in lump sum [Section 80D(4A)]

(i) Appropriate fraction of lump sum premium allowable as deduction: In a case where mediclaim premium is paid in lumpsum for more than one year by:

- (a) an individual, to effect or keep in force an insurance on his health or health of his spouse, dependent children or parents; or
- (b) a HUF, to effect or keep in force an insurance on the health of any member of the family,

then, the deduction allowable under this section for each of the relevant previous year would be equal to the appropriate fraction of such lump sum payment.

(ii) Meaning of certain terms

Term	Meaning
Appropriate fraction	$1 \div$ Total number of relevant previous years
Relevant previous year	The previous year in which such lump sum amount is paid; and the subsequent previous year(s) during which the insurance would be in force.

ILLUSTRATION 6

Mr. A, aged 40 years, paid medical insurance premium of ₹ 20,000 during the P.Y. 2022-23 to insure his health as well as the health of his spouse. He also paid medical insurance premium of ₹ 47,000 during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed ₹ 3,600 to Central Government Health Scheme during the year. He has incurred ₹ 3,000 in cash on preventive health check-up of himself and his spouse and ₹ 4,000 by cheque on preventive health check-up of his father. Compute the deduction allowable under section 80D for the A.Y. 2023-24.

SOLUTION**Deduction allowable under section 80D for the A.Y.2023-24**

	Particulars	Actual Payment ₹	Maximum deduction allowable ₹
A.	Premium paid and medical expenditure incurred for self and spouse		
(i)	Medical insurance premium paid for self and spouse	20,000	20,000
(ii)	Contribution to CGHS	3,600	3,600
(iii)	Exp. on preventive health check-up of self & spouse	3,000	1,400
		26,600	25,000
B.	Premium paid or medical expenditure incurred for father, who is a senior citizen		
(i)	Mediclaime premium paid for father, who is over 60 years of age	47,000	47,000
(ii)	Expenditure on preventive health check-up of father	4,000	3,000
		51,000	50,000
	Total deduction under section 80D (₹ 25,000 + ₹ 50,000)		75,000

Notes:

- (1) The total deduction under A. (i), (ii) and (iii) above should not exceed ₹ 25,000. Therefore, the expenditure on preventive health check-up for self and spouse would be restricted to ₹ 1,400, being (₹ 25,000 – ₹ 20,000 – ₹ 3,600).
- (2) The total deduction under B. (i) and (ii) above should not exceed ₹50,000. Therefore, the expenditure on preventive health check-up for father would be restricted to ₹ 3,000, being (₹ 50,000 – ₹ 47,000).
- (3) In this case, the total deduction allowed on account of expenditure on preventive health check-up of self, spouse and father is ₹ 4,400 (i.e., ₹ 1,400 + ₹ 3,000), which is within the maximum permissible limit of ₹ 5,000.

ILLUSTRATION 7

Mr. Y, aged 40 years, paid medical insurance premium of ₹ 22,000 during the P.Y. 2022-23 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of ₹ 33,000 during the year to insure the health of his mother, aged 67 years, who is not dependent on him. He incurred medical expenditure of ₹ 20,000 on his father, aged 71 years, who is not covered under mediclaim policy. His father is also not dependent upon him. He contributed ₹ 6,000 to Central Government Health Scheme during the year. Compute the deduction allowable under section 80D for the A.Y. 2023-24.

SOLUTION**Deduction allowable under section 80D for the A.Y.2023-24**

Particulars	₹	₹
(i) Medical insurance premium paid for self, spouse and dependent children	22,000	
(ii) Contribution to CGHS	6,000	
	28,000	25,000
restricted to		
(iii) Mediclaim premium paid for mother, who is over 60 years of age	33,000	
(iv) Medical expenditure incurred for father, who is over 60 years of age and not covered by any insurance	20,000	
	53,000	
restricted to		50,000
		75,000

2.6 Deduction in respect of maintenance including medical treatment of a dependant disabled [Section 80DD]

- (i) **Eligible assessee:** Section 80DD provides deduction to an assessee, who is a resident in India, **being an individual or Hindu undivided family.**
- (ii) **Payments qualifying for deduction:**
- (a) Any amount –

- incurred for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability, or
- paid or deposited under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the Specified Company³ for the maintenance of a dependant, being a person with disability

qualifies for deduction.

- (b) The scheme should provide for payment of annuity or a lump sum amount for the benefit of a dependant, being a person with disability,
- I in the event of the death of the individual or member of the HUF, in whose name subscription was made; **or**

II on attaining the age of 60 years or more by such individual or the member of the HUF, and the payment or deposit to such scheme has been discontinued

and the assessee must nominate either the dependant, being a person with disability or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

- (c) The benefit of deduction under this section is also available to assessee incurring expenditure on maintenance including medical treatment of persons suffering from autism, cerebral palsy and multiple disabilities.

(iii) Deemed income: If the dependent, being a person with disability, predeceases the individual or the member of HUF, in whose name subscription was made, then, the amount paid or deposited under the said scheme would be chargeable to tax in the hands of the assessee (individual or member of HUF) in the previous year in which such amount is received by him.

However, such deeming provisions would not apply, to the amount received by the dependant, being a person with disability, before his death, by way of annuity or lump sum under the scheme mentioned in II of (b) above i.e., when the individual or member of HUF attains the age

³ as referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002,

of 60 years or more, and the payment or deposit to such scheme has been discontinued.

(iii) **Quantum of deduction:** The quantum of deduction is ₹ 75,000 and in case of severe disability (i.e. person with 80% or more disability) the deduction shall be ₹ 1,25,000.

(iv) **Conditions:**

- (a) For claiming the deduction, the assessee shall have to furnish a copy of the certificate issued by the medical authority under the Persons with Disability (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 along with the return of income under section 139.
- (b) Where the condition of disability requires reassessment, a fresh certificate from the medical authority shall have to be obtained after the expiry of the period mentioned in the original certificate in order to continue to claim the deduction.

(v) **Meaning of “Dependant”:**

	Assessee	Dependant
(1)	Individual	the spouse, children, parents, brother or sister of the individual who is wholly or mainly dependant on such individual and not claimed deduction under section 80U in the computation of his income
(2)	HUF	a member of the HUF, wholly or mainly dependant on such HUF and not claimed deduction under section 80U in the computation of his income

ILLUSTRATION 8

Mr. X is a resident individual. He deposits a sum of ₹ 50,000 with Life Insurance Corporation every year for the maintenance of his disabled grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted. Compute the amount of deduction available under section 80DD for the A.Y. 2023-24.

SOLUTION

Since the amount deposited by Mr. X was for his grandfather, he will not be allowed any deduction under section 80DD. The deduction is available if the

individual assessee incurs any expense for a “dependant” disabled person. Grandfather does not come within the meaning of “dependant” as defined under section 80DD.

ILLUSTRATION 9

What will be the deduction if Mr. X had made this deposit for his dependant father?

SOLUTION

Since the expense was incurred for a dependant disabled person, Mr. X will be entitled to claim a deduction of ₹ 75,000 under section 80DD, irrespective of the amount deposited. In case his father has severe disability, the deduction would be ₹ 1,25,000.

2.7 Deduction in respect of medical treatment etc. [Section 80DDB]

- (i) **Eligible assessee:** This section provides deduction to an assessee, who is resident in India, being an individual and Hindu undivided family. The deduction is available to an individual for medical expenditure incurred on himself or a dependant. It is also available to a Hindu undivided family (HUF) for such expenditure incurred on any of its members.
- (ii) **Meaning of “Dependant”:**

	Assessee	Dependant
(1)	Individual	the spouse, children, parents, brother or sister of the individual or any of them, wholly or mainly dependant on such individual for his support and maintenance.
(2)	HUF	a member of the HUF, wholly or mainly dependant on such HUF for his support and maintenance.

- (iii) **Payment qualifying for deduction:** Any amount actually paid for the medical treatment of such disease or ailment as may be specified in the rules made in this behalf by the Board for himself or a dependant, in case the assessee is an individual, or for any member of a HUF, in case the assessee is a HUF, will qualify for deduction.
- (iv) **Quantum of deduction:** The amount of deduction under this section shall be equal to the amount actually paid or ₹ 40,000, whichever is less, in respect of that previous year in which such amount was actually paid.

In case the amount is paid in respect of a senior citizen, i.e., a resident individual of the age of 60 years or more at any time during the relevant previous year, then the deduction would be the amount actually paid or ₹ 1,00,000, whichever is less.

The deduction under this section shall be reduced by the amount received, if any, under an insurance from an insurer, or reimbursed by an employer, for the medical treatment of the assessee or the dependant

- (v) **Maximum deduction:** The maximum limit of deduction under section 80DDB for these two categories of dependant are summarized hereunder:

	Dependent	Maximum limit (₹)
(1)	A senior citizen, being a resident individual	1,00,000
(2)	Other than a senior citizen	40,000

- (vi) **Condition:** No such deduction shall be allowed unless the assessee obtains the prescription for such medical treatment from a neurologist, an oncologist, a urologist, a hematologist, an immunologist or such other specialist, as may be prescribed.

2.8 Deduction in respect of interest on loan taken for higher education [Section 80E]

- (i) **Eligible assessee:** Section 80E provides deduction to an individual-assessee in respect of any interest on loan paid by him in the previous year out of his income chargeable to tax.
- (ii) **Conditions:** The loan must have been taken for the purpose of pursuing his higher education or for the purpose of higher education of his or her relative. The loan must have been taken from any financial institution or approved charitable institution.
- (iii) **Meaning of Relative:** Spouse and children of the individual or the student for whom the individual is the legal guardian.
- (iv) **Meaning of "Higher education":** It means any course of study (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so. Therefore, interest on loan taken for pursuing any

course after Class XII or its equivalent, will qualify for deduction under section 80E.

- (v) **Period of deduction:** The deduction is allowed in computing the total income in respect of the initial assessment year (i.e. the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan) and seven assessment years immediately succeeding the initial assessment year or until the interest is paid in full by the assessee, whichever is earlier.
- (vi) **Meaning of “Approved charitable institution”:** It means an institution established for charitable purposes and approved by the prescribed authority⁴ or an institution referred to in section 80G(2)(a).
- (vii) **Meaning of “Financial institution”:** It means –
- (1) a banking company to which the Banking Regulation Act, 1949 applies (including a bank or banking institution referred to in section 51 of the Act); or
 - (2) any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf.

ILLUSTRATION 10

Mr. B has taken three education loans on April 1, 2022, the details of which are given below:

	Loan 1	Loan 2	Loan 3
For whose education loan was taken	B	Son of B	Daughter of B
Purpose of loan	MBA	B. Sc.	B.A.
Amount of loan (₹)	5,00,000	2,00,000	4,00,000
Annual repayment of loan (₹)	1,00,000	40,000	80,000
Annual repayment of interest (₹)	20,000	10,000	18,000

Compute the amount deductible under section 80E for the A.Y.2023-24.

SOLUTION

Deduction under section 80E is available to an individual assessee in respect of any interest paid by him in the previous year in respect of loan taken for pursuing his higher education or higher education of his spouse or children. Higher education means any course of study pursued after senior secondary examination.

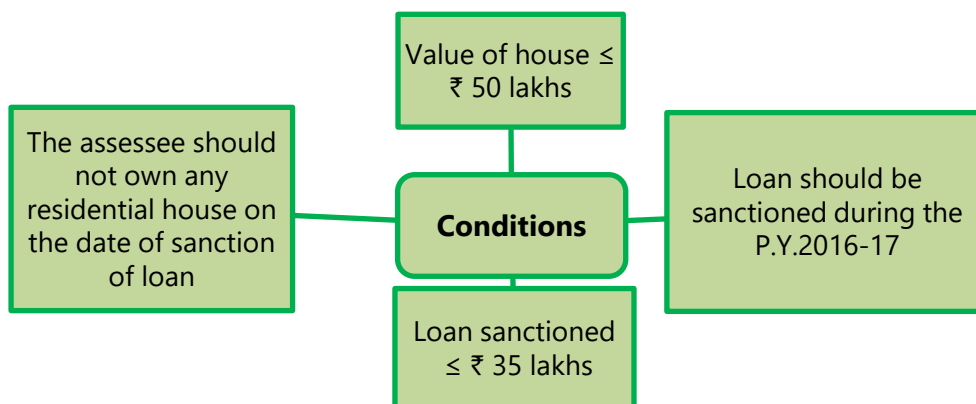
⁴ under section 10(23C)

Therefore, interest repayment in respect of all the above loans would be eligible for deduction.

Deduction under section 80E = ₹ 20,000 + ₹ 10,000 + ₹ 18,000 = ₹ 48,000.

2.9 Deduction for interest on loan borrowed for acquisition of house property by an individual [Section 80EE]

- (i) **Eligible assessee:** An individual who has taken a loan for acquisition of residential house property from any financial institution. Interest payable on such loan would qualify for deduction under this section.
- (ii) **Conditions:** The conditions to be satisfied for availing this deduction are as follows –



- (iii) **Period of benefit:** The benefit of deduction under this section would be available till the repayment of loan continues.
- (iv) **Quantum of deduction:** The maximum deduction allowable is ₹ 50,000. The deduction of upto ₹ 50,000 under section 80EE is over and above the deduction of upto ₹ 2,00,000 available under section 24 for interest paid in respect of loan borrowed for acquisition of a self-occupied property.
- (v) **Meaning of certain terms:**

	Term	Meaning
(a)	Financial institution	<ul style="list-style-type: none"> • A banking company to which the Banking Regulation Act, 1949 applies; or • Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or • A housing finance company.

(b)	Housing finance company	A public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes.
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ILLUSTRATION 11

Mr. A purchased a residential house property for self-occupation at a cost of ₹ 45 lakh on 1.4.2017, in respect of which he took a housing loan of ₹ 35 lakh from Bank of India@11% p.a. on the same date. The loan was sanctioned on 28th March, 2017. Compute the eligible deduction in respect of interest on housing loan for A.Y.2023-24 under the provisions of the Income-tax Act, 1961, assuming that the entire loan was outstanding as on 31.3.2023 and he does not own any other house property.

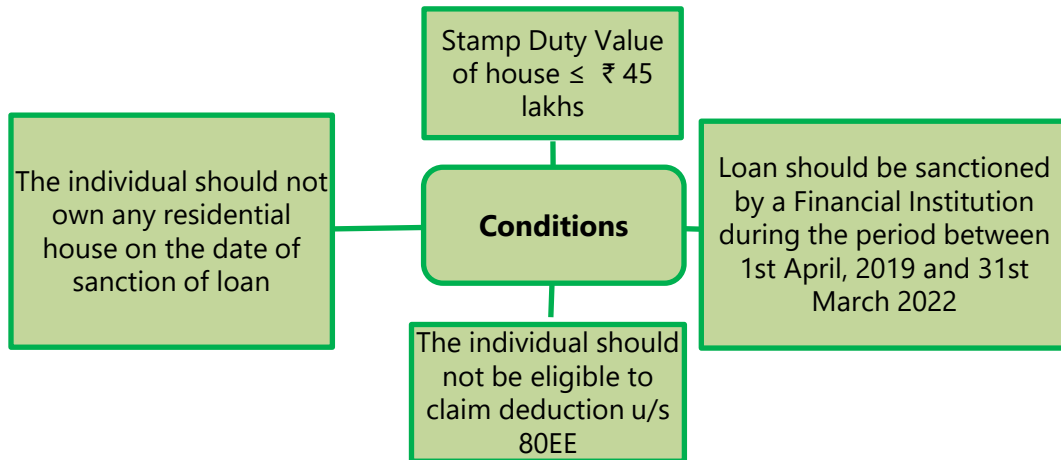
SOLUTION

Particulars	₹
Interest deduction for A.Y.2023-24	
(i) Deduction allowable while computing income under the head "Income from house property"	
Deduction under section 24(b) ₹ 3,85,000 [₹ 35,00,000 × 11%]	
Restricted to	2,00,000
(ii) Deduction under Chapter VI-A from Gross Total Income	
Deduction under section 80EE ₹ 1,85,000 (₹ 3,85,000 – ₹ 2,00,000)	
Restricted to	50,000

2.10 Deduction in respect of interest payable on loan taken for acquisition of residential house property [Section 80EEA]

- (i) **Eligible assessee:** An individual who has taken a loan for acquisition of residential house property from any financial institution. Interest payable on such loan would qualify for deduction under this section.

- (ii) **Conditions:** The conditions to be satisfied for availing this deduction are as follows –



- (iii) **Period of benefit:** The benefit of deduction under this section would be available from A.Y. 2020-21 and subsequent assessment years till the repayment of loan continues.
- (iv) **Quantum of deduction:** The maximum deduction allowable is ₹ 1,50,000. The deduction of upto ₹ 1,50,000 under section 80EEA is over and above the deduction available under section 24(b) in respect of interest payable on loan borrowed for acquisition of a residential house property.

In respect of self-occupied house property, interest deduction under section 24(b) is restricted to ₹ 2,00,000. In case of let out or deemed to be let out property, even though there is no limit under section 24(b), section 71(3A) restricts the amount of loss from house property to be set-off against any other head of income to ₹ 2,00,000. Accordingly, if interest payable in respect of acquisition of eligible house property is more than ₹ 2,00,000, the excess can be claimed as deduction under section 80EEA, subject to fulfilment of conditions.

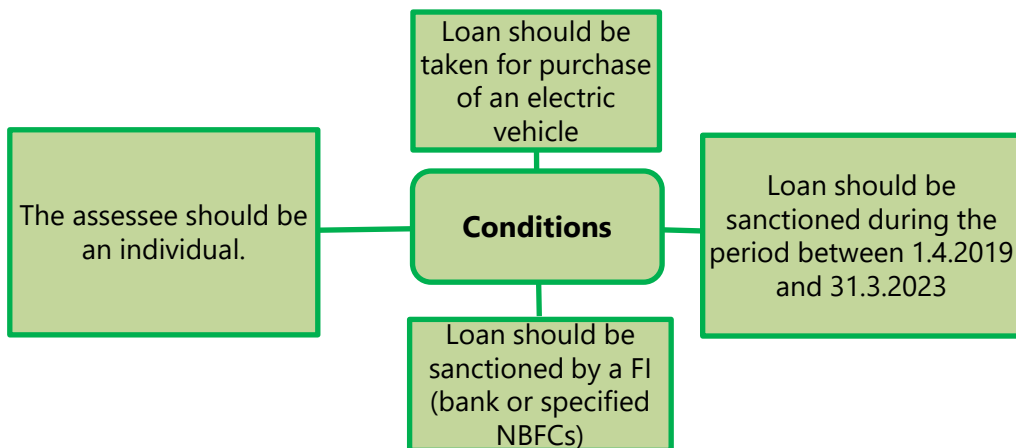
- (v) **No deduction under any other provision:** The interest allowed as deduction under section 80EEA will not be allowed as deduction under any other provision of the Act for the same or any other assessment year.

(vi) **Meaning of certain terms:**

	Term	Meaning
(a)	Financial institution	<ul style="list-style-type: none"> • A banking company to which the Banking Regulation Act, 1949 applies; or • Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or • A housing finance company.
(b)	Housing finance company	A public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes.

2.11 Deduction in respect of interest payable on loan taken for purchase of electric vehicle [Section 80EEB]

- (i) **Eligible Assessee:** An individual who has taken a loan for purchase of an electric vehicle from any financial institution. Interest payable on such loan would qualify for deduction under this section.
- (ii) **Conditions:** The conditions to be satisfied for availing this deduction are as follows –



- (iii) **Period of benefit:** The benefit of deduction under this section would be available from A.Y. 2020-21 and subsequent assessment years till the repayment of loan continues.
- (iv) **Quantum of deduction:** Interest payable, subject to a maximum of ₹ 1,50,000.

- (v) **No deduction under any other provision:** The interest allowed as deduction under section 80EEB will not be allowed as deduction under any other provision of the Act for the same or any other assessment year.
- (vi) **Meaning of certain terms:**

	Term	Meaning
(a)	Financial institution	<ul style="list-style-type: none"> • A banking company to which the Banking Regulation Act, 1949 applies; or • Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or • Any deposit taking NBFC • A systemically important non-deposit taking NBFC i.e., a NBFC which is not accepting or holding public deposits and having total assets of not less than ₹ 500 crore as per the last audited balance sheet and is registered with the RBI.
(b)	Electric Vehicle	A vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle. The vehicle should have electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.

ILLUSTRATION 12

The following are the particulars relating to Mr. A, Mr. B, Mr. C and Mr. D, salaried individuals, for A.Y. 2023-24 –

Particulars	Mr. A	Mr. B	Mr. C	Mr. D
Amount of loan taken	₹43 lakhs	₹45 lakhs	₹20 lakhs	₹15 lakhs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public sector bank
Date of sanction of loan	1.4.2021	1.4.2020	1.4.2020	30.3.2019
Date of disbursement of loan	1.5.2021	1.5.2020	1.5.2020	1.5.2019

Purpose of loan	Acquisition of residential house property for self-occupation	Acquisition of residential house property for self-occupation	Purchase of electric vehicle for personal use	Purchase of electric vehicle for personal use
Stamp duty value of house property	₹45 lakhs	₹48 lakhs	-	-
Cost of electric vehicle	-	-	₹22 lakhs	₹18 lakhs
Rate of interest	9% p.a.	9% p.a.	10% p.a.	10% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y.2023-24 in the hands of Mr. A, Mr. B, Mr. C and Mr. D. Assume that there has been no principal repayment in respect of any of the above loans upto 31.3.2023.

SOLUTION

Particulars	₹
Mr. A	
Interest deduction for A.Y.2023-24	
(i) Deduction allowable while computing income under the head "Income from house property"	
Deduction u/s 24(b) ₹ 3,87,000 [₹ 43,00,000 × 9%]	
Restricted to	2,00,000
(ii) Deduction under Chapter VI-A from Gross Total Income	
Deduction u/s 80EEA ₹ 1,87,000 (₹ 3,87,000 – ₹ 2,00,000)	
Restricted to	1,50,000
Mr. B	
Interest deduction for A.Y.2023-24	
(i) Deduction allowable while computing income under the head "Income from house property"	
Deduction u/s 24(b) ₹ 4,05,000 [₹ 45,00,000 × 9%]	
Restricted to	2,00,000

<p>(ii) Deduction under Chapter VI-A</p> <p>Deduction u/s 80EEA is not permissible since:</p> <p>(i) loan is taken from NBFC</p> <p>(ii) stamp duty value exceeds ₹ 45 lakh.</p> <p>Deduction under section 80EEA would not be permissible due to either violation listed above.</p> <p>Mr. C</p> <p>Deduction under Chapter VI-A</p> <p>Deduction u/s 80EEB for interest payable on loan taken for purchase of electric vehicle [₹ 20 lakhs x 10% = ₹ 2,00,000, restricted to ₹ 1,50,000, being the maximum permissible deduction]</p> <p>Mr. D</p> <p>Deduction under Chapter VI-A</p> <p>Deduction u/s 80EEB is not permissible since loan was sanctioned before 1.4.2019.</p>	<p>Nil</p> <p>1,50,000</p> <p>Nil</p>
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2.12 Deduction in respect of donations to certain funds, charitable institutions etc. [Section 80G]

- (i) **Eligible assessee:** An assessee who pays any sum as donation to eligible funds or institutions, is entitled to a deduction, subject to certain limitations, from the gross total income.
- (ii) **Quantum of deduction:**

There are four categories of deductions. The following table gives the details of the institutions and funds to which donations can be made for the purpose of claiming deduction under section 80G, –

I	Donation qualifying for 100% deduction, without any qualifying limit
(1)	The National Defence Fund set up by the Central Government
(2)	Prime Minister's National Relief Fund.
(3)	Prime Minister's Armenia Earthquake Relief Fund
(4)	The Africa (Public Contributions-India) Fund

(5)	The National Children's Fund
(6)	The National Foundation for Communal Harmony
(7)	Approved University or educational institution of national eminence
(8)	Chief Minister's Earthquake Relief Fund, Maharashtra
(9)	Any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of the Gujarat earthquake
(10)	Any Zila Saksharta Samiti constituted in any district for improvement of primary education in villages and towns and for literacy and post-literacy activities
(11)	National Blood Transfusion Council or any State Blood Transfusion Council whose sole objective is the control, supervision, regulation or encouragement in India of the services related to operation and requirements of blood banks
(12)	Any State Government Fund set up to provide medical relief to the poor
(13)	The Army Central Welfare Fund or Indian Naval Benevolent Fund or Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of past and present members of such forces or their dependents.
(14)	The Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996
(15)	The National Illness Assistance Fund
(16)	The Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund in respect of any State or Union Territory
(17)	The National Sports Fund set up by the Central Government
(18)	The National Cultural Fund set up by the Central Government
(19)	The Fund for Technology Development and Application set up by the Central Government
(20)	National Trust for welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities

(21)	The Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of CSR u/s 135(5) of the Companies Act, 2013
(22)	The Clean Ganga Fund, set up by the Central Government, where such assessee is a resident, other than the sum spent in pursuance of CSR u/s 135(5) of the Companies Act, 2013
(23)	The National Fund for Control of Drug Abuse
(24)	Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund)

II	Donation qualifying for 50% deduction, without any qualifying limit
(1)	The Jawaharlal Nehru Memorial Fund
(2)	Prime Minister's Drought Relief Fund
(3)	Indira Gandhi Memorial Trust
(4)	Rajiv Gandhi Foundation

III	Donation qualifying for 100% deduction, subject to qualifying limit
(1)	The Government or to any approved local authority, institution or association for promotion of family planning
(2)	Sum paid by a company as donation to the Indian Olympic Association or any other association/institution established in India, as may be notified by the Government for the development of infrastructure for sports or games, or the sponsorship of sports and games in India

IV	Donation qualifying for 50% deduction, subject to qualifying limit
(1)	Any Institution or Fund established in India for charitable purposes fulfilling prescribed conditions
(2)	The Government or any local authority for utilisation for any charitable purpose other than the purpose of promoting family planning

(3)	An authority constituted in India by or under any other law enacted either for dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or imp
(4)	Any Corporation established by the Central Government or any State Government for promoting the interests of the members of a minority community
(5)	for renovation or repair of Notified temple, mosque, gurdwara, church or other place of historic, archaeological or artistic importance or which is a place of public worship of renown throughout any State or States

(iii) Qualifying limit: The eligible donations referred to in III and IV should be aggregated and the sum total should be limited to 10% of the adjusted gross total income. This would be the maximum permissible deduction.

The donations qualifying for 100% deduction would be first adjusted from the maximum permissible deduction and thereafter 50% deduction of the balance would be allowed.

Steps for computation of qualifying limit

Step 1:	Compute adjusted total income i.e., the GTI as reduced by the following: (i) Deductions under Chapter VI-A, except under section 80G (ii) Short-term capital gain taxable under section 111A (iii) Long-term capital gains taxable under sections 112 & 112A (iv) Any income on which income-tax is not payable
Step 2:	Calculate 10% of adjusted total income
Step 3:	Calculate the actual donation, which is subject to qualifying limit (Total of Category III and IV donations, shown in the table above)
Step 4:	Lower of Step 2 or Step 3 is the maximum permissible deduction.
Step 5:	The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction under section 80G.

(iv) Other points:

- (1) Where an assessee has claimed and has been allowed any deduction under this section in respect of any amount of donation, the same

amount will not qualify for deduction under any other provision of the Act for the same or any other assessment year.

- (2) Donations in kind shall not qualify for deduction.
- (3) No deduction shall be allowed in respect of donation of any sum exceeding ₹ 2,000 unless such sum is paid by any mode other than cash.
- (4) The deduction under section 80G can be claimed whether it has any nexus with the business of the assessee or not.
- (5) As per *Circular No.2/2005 dated 12.1.2005*, in cases where employees make donations to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund through their respective employers, it is not possible for such funds to issue separate certificate to every such employee in respect of donations made to such funds as contributions made to these funds are in the form of a consolidated cheque. An employee who makes donations towards these funds is eligible to claim deduction under section 80G. It is, hereby, clarified that the claim in respect of such donations as indicated above will be admissible under section 80G on the basis of the certificate issued by the Drawing and Disbursing Officer (DDO)/Employer in this behalf.
- (6) The claim of the assessee for deduction in respect of any donation made to an institution or fund [referred to in point (1) under (IV) "Donation qualifying for 50% deduction, subject to qualifying limit"], in the return of income for any assessment year filed by him, will be allowed on the basis of information relating to said donation furnished by the institution or fund to the prescribed income-tax authority or person authorized by such authority, subject to verification as per the risk management strategy formulated by the CBDT from time to time.

ILLUSTRATION 13

Mr. Shiva aged 58 years, has gross total income of ₹ 7,75,000 comprising of income from salary and house property. He has made the following payments and investments:

- (i) *Premium paid to insure the life of her major daughter (policy taken on 1.4.2018) (Assured value ₹ 1,80,000) – ₹ 20,000.*
- (ii) *Medical Insurance premium for self – ₹ 12,000; Spouse – ₹ 14,000.*
- (iii) *Donation to a public charitable institution ₹ 50,000 by way of cheque.*

- (iv) LIC Pension Fund – ₹ 60,000.
- (v) Donation to National Children's Fund - ₹ 25,000 by way of cheque
- (vi) Donation to Jawaharlal Nehru Memorial Fund - ₹ 25,000 by way of cheque
- (vii) Donation to approved institution for promotion of family planning - ₹ 40,000 by way of cheque
- (viii) Deposit in PPF – ₹ 1,00,000

Compute the total income of Mr. Shiva for A.Y. 2023-24.

SOLUTION

Computation of Total Income of Mr. Shiva for A.Y. 2023-24

Particulars	₹	₹
Gross Total Income		7,75,000
Less: Deduction under section 80C		
Deposit in PPF	1,00,000	
Life insurance premium paid for insurance of major daughter (Maximum 10% of the assured value ₹ 1,80,000, as the policy is taken after 31.3.2012)	18,000	
	1,18,000	
Deduction under section 80CCC in respect of LIC pension fund	60,000	
	1,78,000	
As per section 80CCE, deduction under section 80C & 80CCC is restricted to		1,50,000
Deduction under section 80D		
Medical Insurance premium in respect of self and spouse	26,000	
Restricted to		25,000
Deduction under section 80G (See Working Note below)		87,500
Total income		5,12,500

Working Note: Computation of deduction under section 80G

	Particulars of donation	Amount donated (₹)	% of deduction	Deduction u/s 80G (₹)
(i)	National Children's Fund	25,000	100%	25,000
(ii)	Jawaharlal Nehru Memorial Fund	25,000	50%	12,500
(iii)	Approved institution for promotion of family planning	40,000	100%, subject to qualifying limit	40,000
(iv)	Public Charitable Trust	50,000	50% subject to qualifying limit (See Note below)	10,000
				87,500

Note - Adjusted total income = Gross Total Income – Amount of deductions under section 80C to 80U except section 80G i.e., ₹ 6,00,000, in this case.

₹ 60,000, being 10% of adjusted total income is the qualifying limit, in this case.

Firstly, donation of ₹ 40,000 to approved institution for family planning qualifying for 100% deduction subject to qualifying limit, has to be adjusted against this amount. Thereafter, donation to public charitable trust qualifying for 50% deduction, subject to qualifying limit is adjusted. Hence, the contribution of ₹ 50,000 to public charitable trust is restricted to 20,000 (being, ₹ 60,000 - ₹ 40,000), 50% of which would be the deduction under section 80G. Therefore, the deduction under section 80G in respect of donation to public charitable trust would be ₹ 10,000, which is 50% of ₹ 20,000.

2.13 Deduction in respect of rent paid [Section 80GG]

- (i) **Eligible assessee:** Assessee, who is not in receipt of HRA qualifying for exemption under section 10(13A) from employer and who pays rent for accommodation occupied by him for residential purposes.
- (ii) **Conditions:** The following conditions have to be satisfied for claiming deduction under section 80GG -
 - (1) The assessee should not be receiving any house rent allowance exempt under section 10(13A).

- (2) The expenditure incurred by him on rent of any furnished or unfurnished accommodation should exceed 10% of his total income arrived at after all deductions under Chapter VI-A except section 80GG.
 - (3) The accommodation should be occupied by the assessee for the purposes of his own residence.
 - (4) The assessee should fulfill such other conditions or limitations as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations.
 - (5) The assessee or his spouse or his minor child or a HUF of which he is a member should not own any accommodation at the place where he ordinarily resides or perform duties of his office or employment or carries on his business or profession; or
 - (6) If the assessee owns any accommodation at any place other than that referred to above, such accommodation should not be in the occupation of the assessee and its annual value is not required to be determined under section 23(2)(a) or section 23(4)(a).
 - (7) The assessee should file a declaration in the prescribed form, confirming the details of rent paid and fulfillment of other conditions, with the return of income.
- (iii) **Quantum of deduction:** The deduction admissible will be the least of the following:
- (1) Actual rent paid *minus* 10% of the total income of the assessee before allowing the deduction, or
 - (2) 25% of such total income (arrived at after making all deductions under Chapter VI A but before making any deduction under this section), or
 - (3) Amount calculated at ₹ 5,000 p.m.

ILLUSTRATION 14

Mr. Ganesh, a businessman, whose total income (before allowing deduction under section 80GG) for A.Y.2023-24 is ₹ 4,60,000, paid house rent at ₹ 12,000 p.m. in respect of residential accommodation occupied by him at Mumbai. Compute the deduction allowable to him under section 80GG for A.Y.2023-24.

SOLUTION

The deduction under section 80GG will be computed as follows:

- (i) Actual rent paid less 10% of total income

$$₹ 1,44,000 (-) \frac{(10 \times 4,60,000)}{100} = ₹ 98,000 \text{ (A)}$$

- (ii) 25% of total income = $\frac{25 \times 4,60,000}{100} = ₹ 1,15,000 \text{ (B)}$

- (iii) Amount calculated at ₹ 5,000 p.m. = ₹ 60,000 (C)

Deduction allowable u/s 80GG [least of (i), (ii) and (iii)] = ₹ 60,000

2.14 Deduction in respect of donations for scientific research and rural development [Section 80GGA]

- (i) **Eligible assessee:** Any assessee not having income chargeable under the head "Profits and gains of business or profession", who makes donations for scientific research or rural development.

- (ii) **Donations qualifying for deduction:**

- (1) Any sum paid by the assessee in the previous year to a research association which has, as its object, the undertaking of scientific research or to a University, college or other institution to be used for scientific research;

Such association, University, college or institution must be approved under section 35(1)(ii).

- (2) Any sum paid to a Research Association which has as its object the undertaking of research in social science or statistical research, University, College or other institution to be used for research in social science or statistical research.

Such association, University, college or institution must be approved under section 35(1)(iii).

- (3) Any sum paid by the assessee in the previous year to an association or institution which has as its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural development approved by the prescribed authority for purposes of section 35CCA or to an institution or association which has as its object the training of persons for implementing programmes of rural development.

It has been clarified that the deduction to which an assessee (i.e. donor) is entitled on account of payment of any sum to

- a research association or university or college or other institution for scientific research or research in a social science or statistical research or
- an association or institution for carrying out the programme of rural development or

shall not be denied merely on the ground that subsequent to payment of such sum by the assessee, the approval granted to any of the aforesaid entities is withdrawn.

- (4) Any sum paid to a public sector company or a local authority or to an association or institution approved by the National Committee for carrying out any eligible project or scheme.

It has been clarified that the deduction to which an assessee (i.e. donor) is entitled on account of above shall not be denied merely on the ground that subsequent to payment of such sum by the assessee, the approval granted to any of the aforesaid entities is withdrawn or the notification notifying the eligible project or scheme carried out aforesaid entities has been withdrawn.

- (5) Any sum paid to a rural development fund set up and notified under section 35CCA.
- (6) Any sum paid by the assessee in the previous year to National Urban Poverty Eradication Fund (NUPEF).

(iii) **Restrictions on deduction:**

- (1) No deduction under this section would be allowed in the case of an assessee whose gross total income includes income which is chargeable under the head "Profits and gains of business or profession."
- (2) Where a deduction under this section is claimed and allowed for any assessment year, deduction shall not be allowed in respect of such payment under any provision of this Act for the same or any other assessment year.
- (3) No deduction shall be allowed in respect of donation of any sum exceeding ₹ 2,000 unless such sum is paid by any mode other than cash.

- (4) The claim of the assessee for deduction in respect of any sum referred to under “(ii) Donations qualifying for deduction” in the return of income for any assessment year filed by him, will be allowed on the basis of information relating to such sum furnished by the payee to the prescribed income-tax authority or person authorized by such authority, subject to verification as per the risk management strategy formulated by the CBDT from time to time.

2.15 Deduction in respect of contributions given by companies to political parties [Section 80GGB]

- (i) **Deduction & Conditions:** This section provides for deduction of any sum contributed in the previous year by an Indian company to any political party or an electoral trust. However, no deduction shall be allowed in respect of any sum contributed by way of cash.
- (ii) **Meaning of “Contribute”:** For the purposes of this section, the word “contribute” has the same meaning assigned to it under section 293A of the Companies Act, 1956⁵, which provides that -
- (a) a donation or subscription or payment given by a company to a person for carrying on any activity which is likely to effect public support for a political party shall also be deemed to be contribution for a political purpose;
 - (b) the expenditure incurred, directly or indirectly, by a company on advertisement in any publication (being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like) by or on behalf of a political party or for its advantage shall also be deemed to be a contribution to such political party or a contribution for a political purpose to the person publishing it.
- (iii) **Meaning of “Political party”:** It means a political party registered under section 29A of the Representation of the People Act, 1951.

ILLUSTRATION 15

During the P.Y. 2022-23, ABC Ltd., an Indian company,

- (1) contributed a sum of ₹2 lakh to an electoral trust; and*

⁵Now section 182 of the Companies Act, 2013

- (2) *incurred expenditure of ₹25,000 on advertisement in a brochure of a political party.*

Is the company eligible for deduction in respect of such contribution/expenditure, assuming that the contribution was made by cheque? If so, what is the quantum of deduction?

SOLUTION

An Indian company is eligible for deduction under section 80GGB in respect of any sum contributed by it in the previous year to any political party or an electoral trust. Further, the word "contribute" in section 80GGB has the meaning assigned to it in section 293A of the Companies Act, 1956, and accordingly, it includes the amount of expenditure incurred on advertisement in a brochure of a political party.

Therefore, ABC Ltd. is eligible for a deduction of ₹ 2,25,000 under section 80GGB in respect of sum of ₹ 2 lakh contributed to an electoral trust and ₹ 25,000 incurred by it on advertisement in a brochure of a political party.

It may be noted that there is a specific disallowance under section 37(2B) in respect of expenditure incurred on advertisement in a brochure of a political party. Therefore, the expenditure of ₹ 25,000 would be disallowed while computing business income/gross total income. However, the said expenditure incurred by an Indian company is allowable as a deduction from gross total income under section 80GGB.

2.16 Deduction in respect of contributions given by any person to political parties [Section 80GGC]

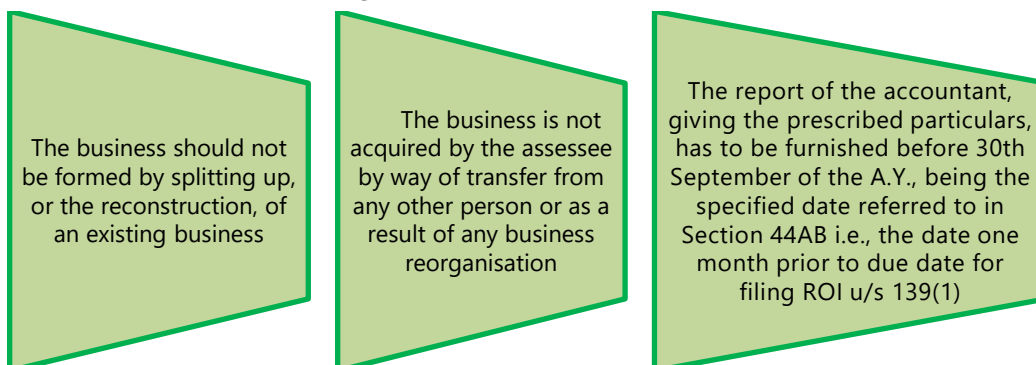
- (i) **Deduction & Conditions:** This section provides for deduction of any sum contributed in the previous year by any person to a political party or an electoral trust. However, no deduction shall be allowed in respect of any sum contributed by way of cash.
- (ii) **Persons not eligible for deduction:** This deduction will, however, not be available to a local authority and an artificial juridical person, wholly or partly funded by the Government.
- (iii) **Meaning of "Political party":** It means a political party registered under section 29A of the Representation of the People Act, 1951.



3. DEDUCTION IN RESPECT OF CERTAIN INCOMES

3.1 Deduction in respect of employment of new employees [Section 80JJAA]

- (i) **Quantum and period of deduction:** Where the gross total income of an assessee to whom section 44AB applies, includes any profits and gains derived from business, a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the previous year, would be allowed for three assessment years including the assessment year relevant to the previous year in which such employment is provided.
- (ii) **Conditions to be fulfilled:** The deduction would be allowed only subject to fulfilment of the following conditions:



- (iii) **Meaning of certain terms:**

	Term	Meaning
(a)	Additional employee cost	Total emoluments paid or payable to additional employees employed during the previous year.
	In the case of an existing business	The additional employee cost shall be Nil, if— (a) there is no increase in the number of employees from the total number of employees employed as on the last day of the preceding year; (b) emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by

		<p>use of electronic clearing system through a bank account or through any other prescribed electronic mode [credit card, debit card, net banking, IMPS (Immediate Payment Services), UPI (Unified Payment Interface), RTGS (Real Time Gross Settlement), NEFT (National Electronic Fund Transfer), BHIM (Bharat Interface for Money) Aadhar Pay].</p>
		<p>In the first year of a new business</p> <p>The emoluments paid⁶ or payable to employees employed during that previous year shall be deemed to be the additional employee cost.</p>
(b)	Additional employee	<p>An employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year.</p> <p>Exclusions from the definition:</p> <p>(a) an employee whose total emoluments are more than ₹ 25,000 per month; or</p> <p>(b) an employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; or</p> <p>(c) an employee who does not participate in the recognised provident fund.</p> <p>(d) an employee employed for a period of less than 240 days during the previous year. In</p>

⁶ As per Form No.10DA read with Rule 19AB, the amount shall **not** include emoluments paid otherwise than by way of account payee cheque/bank draft/ECS through a bank account and prescribed electronic modes

		<p>case of an assessee engaged in the business of manufacturing of apparel or footwear or leather products, an employee employed for a period of less than 150 days during the previous year; or</p> <p>Note – If an employee is employed during the previous year for less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year. Accordingly, the employer would be entitled to deduction of 30% of additional employee cost of such employees for three years from the succeeding year.</p>
(c)	Emoluments	<p>any sum paid or payable to an employee in lieu of his employment by whatever name called.</p> <p>Exclusions from the definition:</p> <p>(a) any contribution paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee under any law for the time being in force; and</p> <p>(b) any lump-sum payment paid or payable to an employee at the time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.</p>

ILLUSTRATION 16

Mr. A has commenced the business of manufacture of computers on 1.4.2022. He employed 350 new employees during the P.Y. 2022-23, the details of whom are as follows –

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	75	1.4.2022	Regular	24,000
(ii)	125	1.5.2022	Regular	26,000
(iii)	50	1.8.2022	Casual	24,500
(iv)	100	1.9.2022	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Compute the deduction, if any, available to Mr. A for A.Y. 2023-24, if the profits and gains derived from manufacture of computers that year is ₹ 75 lakhs and his total turnover is ₹ 10.16 crores.

What would be your answer if Mr. A has commenced the business of manufacture of footwear on 1.4.2022?

SOLUTION

Mr. A is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y. 2023-24 and he has employed "additional employees" during the P.Y. 2022-23.

I **If Mr. A is engaged in the business of manufacture of computers**

Additional employee cost = ₹ 24,000 × 12 × 75 [See Working Note below]
= ₹ 2,16,00,000

Deduction under section 80JJAA = 30% of ₹ 2,16,00,000 = ₹ 64,80,000.

Working Note:

Number of additional employees

Particulars	No. of workmen	
Total number of employees employed during the year		350
Less: Casual employees employed on 1.8.2022 who do not participate in recognized provident fund	50	
Regular employees employed on 1.5.2022, since their total monthly emoluments exceed ₹ 25,000	125	

Regular employees employed on 1.9.2022 since they have been employed for less than 240 days in the P.Y.2022-23.	100	275
Number of "additional employees"		75

Notes –

- (i) *Since casual employees do not participate in recognized provident fund, they do not qualify as additional employees. Further, 125 regular employees employed on 1.5.2022 also do not qualify as additional employees since their monthly emoluments exceed ₹ 25,000. Also, 100 regular employees employed on 1.9.2022 do not qualify as additional employees for the P.Y.2022-23, since they are employed for less than 240 days in that year.*

Therefore, only 75 employees employed on 1.4.2022 qualify as additional employees, and the total emoluments paid or payable to them during the P.Y.2022-23 is deemed to be the additional employee cost.

- (ii) *As regards 100 regular employees employed on 1.9.2022, they would be treated as additional employees for previous year 2023-24, if they continue to be employees in that year for a minimum period of 240 days. Accordingly, 30% of additional employee cost in respect of such employees would be allowable as deduction under section 80JJAA in the hands of Mr. A for the A.Y. 2024-25.*

II If Mr. A is engaged in the business of manufacture of footwear

If Mr. A is engaged in the business of manufacture of footwear, then, he would be entitled to deduction under section 80JJAA in respect of employee cost of regular employees employed on 1.9.2022, since they have been employed for more than 150 days in the previous year 2022-23.

Additional employee cost = ₹ 2,16,00,000 + ₹ 24,000 × 7 × 100 = ₹ 3,84,00,000

Deduction under section 80JJAA = 30% of ₹ 3,84,00,000 = ₹ 1,15,20,000

3.2 Deduction in respect of royalty income, etc., of authors of certain books other than text books [Section 80QQB]

- (i) **Eligible assessee & Quantum of deduction:** Under section 80QQB, deduction of up to a maximum ₹ 3,00,000 is allowed to an individual

resident in India in respect of income derived as author or joint author i.e., the deduction shall be the income derived as author or as joint author or ₹ 3,00,000, whichever is less.

(ii) Eligible Income:

- (a) This income may be received either by way of a lumpsum consideration for the assignment or grant of any of his interests in the copyright of any book.
- (b) Such book should be a work of literary, artistic or scientific nature, or of royalties or copyright fees (whether receivable in lump sum or otherwise) in respect of such book.
- (c) This deduction shall not, however, be available in respect of royalty income from textbook for schools, guides, commentaries, brochures, diaries, magazines, newspapers, journals, pamphlets, tracts and other publications of similar nature.

Note - Where an assessee claims deduction under this section, no deduction in respect of the same income may be claimed under any other provision of the Income-tax Act, 1961.

- (iii) Manner of computation of deduction:** For the purpose of calculating the deduction under this section, the amount of eligible income (royalty or copyright fee received otherwise than by way of lumpsum) before allowing expenses attributable to such income, shall not exceed 15% of the value of the books sold during the previous year.

However, this condition is not applicable where the royalty or copyright fees is receivable in lump sum in lieu of all rights of the author in the book.

(iv) Conditions:

- (a) **Furnishing of certificate in prescribed form:** For claiming the deduction, the assessee shall have to furnish a certificate in the prescribed manner in the prescribed format, duly verified by the person responsible for making such payment, setting forth such particulars as may be prescribed.
- (b) **Period for repatriation of income earned outside India:** Where the assessee earns any income from any source outside India, he should bring such income into India in convertible foreign exchange within a period of six months from the end of the previous year in which such

income is earned or within such further period as the competent authority may allow in this behalf for the purpose of claiming deduction under this section.

The competent authority shall mean the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.

ILLUSTRATION 17

Mr. Aakash received royalty of ₹ 2,88,000 from a foreign country for a book authored by him, being a work of literary nature. The rate of royalty is 18% of value of books. The expenditure incurred by him for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2022 is ₹ 2,30,000. The remaining amount was not remitted till 31st March, 2023. Compute the amount includible in the gross total income of Mr. Aakash and the amount of deduction which he will be eligible for under section 80QQB.

SOLUTION

The net royalty of ₹ 2,48,000 (i.e., royalty of ₹ 2,88,000 less ₹ 40,000, being expenditure to earn such income) is includible in gross total income.

Deduction u/s 80QQB:	₹
Royalty ₹ 2,88,000 × 15/18 = ₹ 2,40,000	
Restricted to	
Amount brought into India in convertible foreign exchange within the prescribed time	2,30,000
Less: Expenses already allowed as deduction while computing royalty income	<u>40,000</u>
Deduction u/s 80QQB	<u>1,90,000</u>

3.3 Deduction in respect of royalty on patents [Section 80RRB]

- (i) **Eligible assessee:** A resident individual who is registered as the true and first inventor in respect of an invention under the Patents Act, 1970, including the co-owner of the patent and earning income by way of royalty of a patent registered on or after 1.4.2003.

- (ii) **Quantum of deduction:** Income by way of royalty of a patent registered on or after 1.4.2003, subject to a maximum of ₹ 3 lakhs.

Note - No deduction in respect of such income will be allowed under any other provision of the Income-tax Act, 1961

- (iii) **Eligible income:** This exemption shall be restricted to the royalty income including consideration for transfer of rights in the patent or for providing information for working or use of a patent, use of a patent or the rendering of any services in connection with these activities.

The exemption shall not be available on any consideration for sale of product manufactured with the use of the patented process or patented article for commercial use.

- (iv) **Conditions:** In respect of any such income which is earned from sources outside India, the deduction shall be restricted to such sum as is brought to India in convertible foreign exchange within a period of 6 months from the end of the previous year in which such income is earned or extended period as is allowed by the competent authority (Reserve Bank of India). For claiming this deduction the assessee shall be required to furnish a certificate in the prescribed form signed by the prescribed authority.

4. DEDUCTION IN RESPECT OF OTHER INCOME

4.1 Deduction in respect of interest on deposits in savings accounts [Section 80TTA]

- (i) **Eligible assessee and Quantum of deduction:** Section 80TTA provides that in case the gross total income of an assessee, being an individual or a Hindu Undivided Family, includes any income by way of an interest on deposits in a saving account (not being time deposits, which are deposits repayable on expiry of fixed periods), deduction up to **₹ 10,000** in aggregate shall be allowed while computing the total income of such assessee. Such deduction shall be allowed in case the saving account is maintained with:

- (1) a banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);

- (2) a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or
- (3) a post office.

Note - Deduction under this section would, however, not be available to a senior citizen eligible for deduction under section 80TTB.

- (ii) **Restrictions:** If the aforesaid income is derived from any deposit in a savings account held by, or on behalf of, a firm, an AOP/BOI, no deduction shall be allowed in respect of such income in computing the total income of any partner of the firm or any member of the AOP or any individual of the BOI.

In effect, the deduction under this section shall be allowed only in respect of the income derived in form of the interest on the saving bank deposit (other than time deposits) made by the individual or Hindu Undivided Family directly.

4.2 Deduction in respect of interest on deposits in case of senior citizens [Section 80TTB]

- (i) **Eligible assessee:** A senior citizen (a resident individual who is of the age of 60 years or more at any time during the relevant previous year), whose gross total income includes income by way of interest on deposits (both fixed deposits and saving accounts) with –
 - (a) a banking company to which Banking Regulation Act, 1949 applies
 - (b) a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank)
 - (c) a Post Office.
- (ii) **Quantum of deduction:** Actual amount of interest on deposits or ₹ 50,000, whichever is lower.
- (iii) **Non-availability of deduction to partner/member, where deposit held by firm/AOP/BOI:** Where interest income is derived from any deposit held by, or on behalf of, a firm, an AOP or a BOI, the partner of the firm or member of AOP/BOI would not be allowed deduction in respect of such income while computing their total income.

ILLUSTRATION 18

Mr. A, a resident individual aged 61 years, has earned business income (computed) of ₹ 1,35,000, lottery income of ₹ 1,20,000 (gross) during the P.Y. 2022-23. He also has interest on Fixed Deposit of ₹ 30,000 with banks. He invested an amount of ₹ 1,50,000 in Public Provident Fund account. What is the total income of Mr. A for the A.Y. 2023-24, assuming that he does not opt for section 115BAC?

SOLUTION**Computation of total income of Mr. A for A.Y.2023-24**

Particulars	₹	₹
Profits and gains of business or profession		1,35,000
Income from other sources		
- Interest on Fixed Deposit with banks		30,000
- lottery income		1,20,000
Gross Total Income		2,85,000
<i>Less: Deductions under Chapter VIA [See Note below]</i>		
Under section 80C		
- Deposit in Public Provident Fund	1,50,000	
Under section 80TTB		
- Interest on fixed deposits with banks	30,000	
	1,80,000	
Restricted to		1,65,000
Total Income		1,20,000

Note: In case of resident individuals of the age of 60 years or more, interest on bank fixed deposits qualifies for deduction upto ₹ 50,000 under section 80TTB.

Though the aggregate of deductions under Chapter VI-A is ₹ 1,80,000, however, the maximum permissible deduction cannot exceed the gross total income exclusive of long term capital gains taxable under section 112 and section 112A, short-term capital gains covered under section 111A and winnings from lotteries of the assessee.

Therefore, the maximum permissible deduction under Chapter VI-A = ₹ 2,85,000 – ₹ 1,20,000 = ₹ 1,65,000.

ILLUSTRATION 19

Mr. Gurnam, aged 42 years, has salary income (computed) of ₹ 5,50,000 for the previous year ended 31.03.2023. He has earned interest of ₹ 14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr. Gurnam for the assessment year 2023-24 from the following particulars, assuming that he does not opt for section 115BAC:

- (i) Life insurance premium paid to Birla Sunlife Insurance in cash amounting to ₹ 25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2019 and the sum assured on life of his dependent parents is ₹ 2,00,000.
- (ii) Life insurance premium of ₹ 25,500 paid for the insurance of life of his major son who is not dependent on him. The sum assured on life of his son is ₹ 3,50,000 and the life insurance policy was taken on 30.3.2012.
- (iii) Life insurance premium paid by cheque of ₹ 22,500 for insurance of his life. The insurance policy was taken on 08.09.2018 and the sum assured is ₹ 2,00,000.
- (iv) Premium of ₹ 26,000 paid by cheque for health insurance of self and his wife.
- (v) ₹ 1,500 paid in cash for his health check-up and ₹ 4,500 paid in cheque for preventive health check-up for his parents, who are senior citizens.
- (vi) Paid interest of ₹ 6,500 on loan taken from bank for MBA course pursued by his daughter.
- (vii) A sum of ₹ 5,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

SOLUTION

Computation of total income of Mr. Gurnam for the Assessment Year 2023-24

Particulars	₹	₹	₹
Income from salary			5,50,000
Interest on saving bank deposit			14,500
Gross Total Income			5,64,500

Less: Deduction under Chapter VIA			
Under section 80C (See Note 1)			
- major son	25,500		
- self ₹ 22,500 restricted to 10% of ₹ 2,00,000	20,000	45,500	
Under section 80D (See Note 2)			
Premium paid for ₹ 26,000 health insurance of self and wife by cheque, restricted to	25,000		
Payment made for health check-up for parents	4,500	29,500	
Under section 80E			
For payment of interest on loan taken from bank for MBA course of his daughter		6,500	
Under section 80TTA (See Note 4)			
Interest on savings bank account ₹ 14,500 restricted to		10,000	91,500
Total Income			4,73,000

Notes:

- (1) As per section 80C, no deduction is allowed in respect of premium paid for life insurance of parents, whether they are dependent or not. Therefore, no deduction is allowable in respect of ₹ 25,000 paid as premium for life insurance of dependent parents of Mr. Gurnam.

In respect of insurance policy issued on or after 01.04.2012, deduction shall be allowed for life insurance premium paid only to the extent of 10% of sum assured. In case the insurance policy is issued before 01.04.2012, deduction of premium paid on life insurance policy shall be allowed up to 20% of sum assured.

Therefore, in the present case, deduction of ₹ 25,500 is allowable in full in respect of life insurance of Mr. Gurnam's son since the insurance policy was issued before 01.04.2012 and the premium amount is less than 20% of ₹ 3,50,000. However, in respect of premium paid for life insurance policy of Mr. Gurnam himself, deduction is allowable only up to 10% of ₹ 2,00,000 since, the policy was issued on or after 01.04.2012 and the premium amount exceeds 10% of sum assured.

- (2) As per section 80D, in case the premium is paid in respect of health of a person specified therein and for health check-up of such person, deduction shall be allowed up to ₹ 25,000. Further, deduction up to ₹ 5,000 in aggregate shall be

allowed in respect of health check-up of self, spouse, children and parents. In order to claim deduction under section 80D, the payment for health-checkup can be made in any mode including cash. However, the payment for health insurance premium has to be paid in any mode other than cash.

Therefore, in the present case, in respect of premium of ₹ 26,000 paid for health insurance of self and wife, deduction would be restricted to ₹ 25,000. Since the limit of ₹ 25,000 has been exhausted against medical insurance premium, no deduction is allowable for preventive health check-up for self and wife. However, deduction of ₹ 4,500 is allowable in respect of health check-up of his parents, since it falls within the limit of ₹ 5,000.

- (3) No deduction shall be allowed under section 80G in case the donation is made in cash of a sum exceeding ₹ 2,000. Therefore, deduction under section 80G is not allowable in respect of **cash donation** of ₹ 5,000 made to an institution approved for the purpose of section 80G for promotion of family planning.
- (4) As per section 80TTA, deduction shall be allowed from the gross total income of an individual or Hindu Undivided Family in respect of income by way of interest on deposit in the savings account included in the assessee's gross total income, subject to a maximum of ₹ 10,000. Therefore, deduction of ₹ 10,000 is allowable from the gross total income of Mr. Gurnam, though the interest from savings bank account is ₹ 14,500.

5. OTHER DEDUCTIONS

Deduction in the case of a person with disability [Section 80U]

- (i) Section 80U harmonizes the criteria for defining disability as existing under the Income-tax Rules with the criteria prescribed under the Persons with Disability (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.
- (ii) **Eligible assessee:** This section is applicable to a resident individual, who, at any time during the previous year, is certified by the medical authority to be a person with disability.

The benefit of deduction under this section is also available to persons suffering from autism, cerebral palsy and multiple disabilities.

- (iii) **Quantum of deduction:** A deduction of ₹ 75,000 in respect of a person with disability and ₹ 1,25,000 in respect of a person with severe disability (having disability over 80%) is allowable under this section.

(iv) **Conditions:**

- (a) The assessee claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the form and manner, as may be prescribed, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed.
- (b) Where the condition of disability requires reassessment, a fresh certificate from the medical authority shall have to be obtained after the expiry of the period mentioned on the original certificate in order to continue to claim the deduction.

LET US RECAPITULATE

Deductions in respect of certain payments

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80C	Individual or HUF	<p>Contribution to PPF, Payment of LIC premium, etc.</p> <p>Sums paid or deposited in the previous year by way of</p> <ul style="list-style-type: none"> - Life insurance premium - Contribution to PPF/SPF/ RPF and approved superannuation fund - Repayment of housing loan taken from Govt., bank, LIC, specified employer etc. - Tuition fees to any Indian university, college, school for full-time education of any two children - Term deposit for a fixed period of not less than 5 years with schedule bank - Subscription to notified bonds of NABARD - Five year post office time deposit - Senior Citizen's Savings Scheme Account etc. 	<p>Sum paid or deposited, subject to a maximum of ₹ 1,50,000</p>

		- Contribution by Central Govt. employee to additional account (Tier II A/c) of NPS referred to u/s 80CCD	
80CCC	Individual	Contribution to certain pension funds Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.	Amount paid or deposited, subject to a maximum of ₹ 1,50,000
80CCD	Individuals employed by the Central Govt or any other employer; Any other individual assessee.	Contribution to Pension Scheme of Central Government An individual employed by the Central Government on or after 1.1.2004 or any other employer or any other assessee, being an individual, who has paid or deposited any amount in his account under a notified pension scheme [to his individual pension account [Tier I A/c] under National Pension Scheme & Atal Pension Yojana]	<p>Employee's Contribution/ Individual' Contribution</p> <p>In case of a salaried individual, deduction of own contribution under section 80CCD(1) is restricted to 10% of his salary.</p> <p>In any other case, deduction under section 80CCD(1) is restricted to 20% of gross total income.</p> <p>Further, additional deduction of upto ₹ 50,000 is available under section 80CCD(1B).</p> <p>Employer's Contribution</p> <p>The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution under section 80CCD(2)</p>

			would be restricted to 14% of salary, where the employer is the Central Government or State Government ; and 10%, in case of any other employer.				
<p>Note – As per section 80CCE, maximum permissible deduction u/s 80C, 80CCC & 80CCD(1) is ₹ 1,50,000. However, the limit ₹ 1.50 lakh under section 80CCE does not apply to deduction under section 80CCD(2) and 80CCD(1B).</p>							
80D	Individual and HUF	<p>Medical Insurance Premium</p> <p>(1) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of –</p> <table border="1"> <tr> <td>in case of an individual</td> <td>self, spouse and dependent children</td> </tr> <tr> <td>in case of HUF</td> <td>family member</td> </tr> </table> <p>(2) In case of an individual, contribution, otherwise than by way of cash, to CGHS or any other scheme as notified by Central Government.</p> <p>(3) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.</p>	in case of an individual	self, spouse and dependent children	in case of HUF	family member	<p>Maximum ₹ 25,000 (₹ 50,000, in case the individual or his or her spouse is a senior citizen)</p> <p>Maximum ₹ 25,000 (₹ 50,000, in case either or both of the parents are senior citizen(s))</p>
in case of an individual	self, spouse and dependent children						
in case of HUF	family member						

		<p>Notes:</p> <p>(i) Any amount paid, otherwise than by way of cash, on account of medical expenditure incurred on the health of the assessee or his family member or his parent, who is a senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person.</p> <p>(ii) Payment, including cash payment, for preventive health check up of himself, spouse, dependent children and parents.</p>	<p>Amount paid subject to a cap of ₹ 50,000 (in case one parent is a senior citizen, in respect of whom insurance premium is paid, and the other is a senior citizen on whom medical expenditure is incurred, the total deduction cannot exceed ₹ 50,000)</p> <p>Amount paid subject to a cap of ₹ 5,000, in aggregate (subject to the overall individual limits of ₹ 25,000/ ₹ 50,000, as the case may be)</p>
80DD	Resident Individual or HUF	<p>Maintenance including medical treatment of a dependant disabled</p> <p>Any amount incurred for the medical treatment (including nursing), training and rehabilitation of a dependent disabled</p> <p>and / or</p> <p>Any amount paid or deposited under the scheme framed in this behalf by the LIC or any other insurer or Administrator or Specified Company and approved by Board.</p>	<p>Flat deduction of ₹ 75,000.</p> <p>In case of severe disability (i.e. person with 80% or more disability) the flat deduction shall be ₹ 1,25,000.</p>

		Meaning of Dependant		
		(1) In case of	(2) Dependant	
		An individual	Spouse, children, parents, brothers, sisters	
		A HUF	Any member	
		Persons mentioned in column (2) should be wholly or mainly dependant on the person mentioned in corresponding column (1) for support and maintenance. Such persons should not have claimed deduction under section 80U in computing total income of that year.		
80DDB	Resident Individual or HUF	Deduction for medical treatment of specified diseases or ailments Amount paid for specified diseases or ailment		Actual sum paid or ₹ 40,000 (₹ 1,00,000, if the payment is for medical treatment of a senior citizen), whichever is less, <i>minus</i>
		Assessee	Amount spent	the amount received from the insurance company or reimbursed by the employer.
		An individual	For himself or his dependant being spouse, children, parents, brothers or sisters wholly or mainly dependant on the individual	

			for support and maintenance	
		A HUF	For any member	
80E	Individual	Interest on loan taken for higher education Interest on loan taken from any financial institution or approved charitable institution. Such loan is taken for pursuing his higher education or higher education of his or her relative i.e., spouse or children of the individual or the student for whom the individual is the legal guardian.		The deduction is available for interest payment in the initial assessment year (year of commencement of interest payment) and seven assessment years immediately succeeding the initial assessment year (or) until the interest is paid in full by the assessee, whichever is earlier.
80EE	Individuals	Deduction for interest on loan borrowed from any financial institution [bank/housing finance company (HFC)] for acquisition of residential house property		Deduction of upto ₹ 50,000 would be allowed in respect of interest on loan taken from a financial institution (FI). Conditions: Loan should be sanctioned during P.Y.2016-17 Loan sanctioned ≤ ₹ 35 lakhs Value of house ≤ ₹ 50 lakhs The assessee should not own any residential house on the date of sanction of loan.

80EEA	Individual	<p>Deduction in respect of interest payable on loan taken from a FI (bank or HFC) for acquisition of residential house property</p> <p>(In case the property is self-occupied, the deduction would be over and above the deduction of ₹ 2 lakhs under section 24)</p> <p>For example, if the interest payable is, say, ₹ 3,80,000 on loan taken from FI for acquisition of residential house, ₹ 2 lakh can be claimed as deduction u/s 24(b) and ₹ 1.50 lakhs as deduction u/s 80EEA. Even though for let-out property, there is no limit u/s 24, by virtue of section 71(3A), set-off of loss from house property against any other head of income is restricted to ₹ 2 lakh. Hence, the excess interest payable can be claimed u/s 80EEA, subject to fulfillment of prescribed conditions.</p>	<p>Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken from a FI for acquisition of house property.</p> <p>Conditions:</p> <ul style="list-style-type: none"> • Loan should be sanctioned by a FI during the period between 1st April 2019 to 31st March 2022. • Stamp Duty Value of house ≤ ₹ 45 lakhs • The individual should not own any residential house on the date of sanction of loan. • The individual should not be eligible to claim deduction u/s 80EE.
80EEB	Individual	<p>Deduction in respect of interest payable on loan taken from a FI (bank or certain NBFCs) for purchase of electric vehicle</p>	<p>Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken for purchase of electric vehicle.</p>

			Loan should be sanctioned by a FI during the period from 1.4.2019 to 31.3.2023																			
80G	All assesseees	<p>Donations to certain funds, charitable institutions etc. There are four categories of deductions –</p> <table border="1"> <thead> <tr> <th></th> <th>Category</th> <th>Donee</th> </tr> </thead> <tbody> <tr> <td>(I)</td> <td>100% deduction of amount donated, without any qualifying limit</td> <td>Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.</td> </tr> <tr> <td>(II)</td> <td>50% deduction of amount donated, without any qualifying limit</td> <td>Prime Minister's Drought Relief Fund, Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation.</td> </tr> <tr> <td>(III)</td> <td>100% deduction of amount donated, subject to qualifying limit</td> <td>Government or local authority, institution for promotion of family planning etc.</td> </tr> <tr> <td>(IV)</td> <td>50% deduction of amount donated, subject to qualifying limit.</td> <td>Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.</td> </tr> </tbody> </table> <p>Calculation of Qualifying limit for Category III & IV donations: Step 1: Compute adjusted total income, i.e., the gross total income as reduced by the following:</p> <table border="1"> <tbody> <tr> <td>1.</td> <td>Deductions under Chapter VI-A, except u/s 80G</td> </tr> <tr> <td>2.</td> <td>Short term capital gains taxable u/s 111A</td> </tr> </tbody> </table>			Category	Donee	(I)	100% deduction of amount donated, without any qualifying limit	Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.	(II)	50% deduction of amount donated, without any qualifying limit	Prime Minister's Drought Relief Fund, Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation.	(III)	100% deduction of amount donated, subject to qualifying limit	Government or local authority, institution for promotion of family planning etc.	(IV)	50% deduction of amount donated, subject to qualifying limit.	Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.	1.	Deductions under Chapter VI-A, except u/s 80G	2.	Short term capital gains taxable u/s 111A
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		<p>3. Long term capital gains taxable u/s 112& 112A</p> <p>Step 2: Calculate 10% of adjusted total income.</p> <p>Step 3: Calculate the actual donation, which is subject to qualifying limit</p> <p>Step 4: Lower of Step 2 or Step 3 is the maximum permissible deduction.</p> <p>Step 5: The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction under section 80G.</p> <p>Note - No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash.</p>
80GG	Individual not in receipt of house rent allowance	<p>Rent paid for residential accommodation</p> <p>Least of the following is allowable as deduction:</p> <p>(1) 25% of total income;</p> <p>(2) Rent paid – 10% of total income</p> <p>(3) ₹ 5,000 p.m.</p> <p>No deduction if any residential accommodation is owned by the assessee/his spouse/minor child/HUF at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession.</p>
80GGB	Indian company	<p>Contributions to political parties</p> <p>Any sum contributed by it to a registered political party or an electoral trust.</p> <p>Actual contribution (otherwise than by way of cash)</p>

80GGC	Any person, other than local authority and an artificial juridical person funded by the Government.	Contributions to political parties Amount contributed to a registered political party or an electoral trust.	Actual contribution (otherwise than by way of cash)
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Deductions in respect of Certain Incomes

As per section 80AC, furnishing return of income on or before due date is mandatory for claiming deduction in respect of certain incomes.

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80JJAA	An assessee to whom section 44AB applies, whose Gross total income includes profits and gains derived from business	Deduction in respect of employment of new employees	30% of additional employee cost incurred in the previous year. Deduction is allowable for 3 assessment years including assessment year relevant to the previous year in which such employment is provided.
80QQB	Resident individual, being an author	Royalty income, etc., of authors of certain books other than text books Consideration for	Income derived in the exercise of profession or ₹ 3,00,000, whichever is less. In respect of royalty or

		assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or royalty or copyright fee received as lumpsum or otherwise.	copyright fee received otherwise than by way of lumpsum, income to be restricted to 15% of value of books sold during the relevant previous year.
80RRB	Resident individual, being a patentee	Royalty on patents Any income by way of royalty on patents registered on or after 1.4.2003	Whole of such income or ₹ 3,00,000, whichever is less.
Deductions in respect of Other Income			
Section	Eligible Assessee	Eligible Income	Permissible Deduction
80TTA	Individual or a HUF, other than a resident senior citizen	Interest on deposits in savings account Interest on deposits in a savings account with a bank, a co-operative society or a post office (not being time deposits, which are repayable on expiry of fixed periods)	Actual interest subject to a maximum of ₹ 10,000.
80TTB	Resident senior citizen (i.e. an individual of the age of 60 years or more at any time during the previous year)	Interest on deposits Interest on deposits (both fixed deposits and saving accounts) with banking company, co-operative society engaged in the business of banking or a post office.	Actual interest or ₹ 50,000, whichever is less.

Other Deductions			
Section	Eligible Assessee	Condition for deduction	Permissible Deduction
80U	Resident Individual	Deduction in case of a person with disability Any person, who is certified by the medical authority to be a person with disability.	Flat deduction of ₹ 75,000, in case of a person with disability. Flat deduction of ₹ 1,25,000, in case of a person with severe disability (80% or more disability).

TEST YOUR KNOWLEDGE

Question 1

Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

- (i) *During the financial year 2022-23, Mr. Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr. Amit will get the deduction under section 80E.*
- (ii) *Subscription to notified bonds of NABARD would qualify for deduction under section 80C.*
- (iii) *In order to be eligible to claim deduction under section 80C, investment/ contribution/ subscription etc. in eligible or approved modes, should be made from out of income chargeable to tax.*
- (iv) *Where an individual repays a sum of ₹ 30,000 towards principal and ₹ 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is ₹ 44,000.*
- (v) *Mrs. Sheela, widow of Mr. Satish (who was an employee of M/s. XYZ Ltd.), received ₹ 7 lakhs on 1.5.2022, being amount standing to the credit of Mr. Satish in his NPS Account, in respect of which deduction has been allowed under section 80CCD to Mr. Satish in the earlier previous years. Such amount received by her as a nominee on closure of the account is deemed to be her income for A.Y.2023-24.*
- (vi) *Mr. Vishal, a Central Government employee, contributed ₹ 50,000 towards Tier II account of NPS. The same would be eligible for deduction under section 80CCD.*

Answer

- (i) **The statement is correct.** The deduction under section 80E available to an individual in respect of interest on loan taken for his higher education or for the higher education of his relative. For this purpose, relative means, *inter alia*, spouse and children of the individual. Therefore, Mr. Amit will get the deduction under section 80E in respect of interest on loan availed by him for his son's higher education. It is immaterial that his son is already employed in a firm. This would not affect Mr. Amit's eligibility for deduction under section 80E.

- (ii) **The statement is correct.** Under section 80C(2) subscription to such bonds issued by NABARD (as the Central Government may notify in the Official Gazette) would qualify for deduction under section 80C.
- (iii) **The statement is not correct.** There is no stipulation under section 80C that the investment, subscription, etc. should be made from out of income chargeable to tax.
- (iv) **The statement is not correct.** Deduction under section 80E is in respect of interest paid on education loan. Hence, the deduction will be limited to ₹ 14,000.
- (v) **The statement is not correct.** The proviso to section 80CCD(3) provides that the amount received by the nominee, on closure of NPS account on the death of the assessee, shall not be deemed to be the income of the nominee. Hence, amount received by Mrs. Sheila would not be deemed to be her income for A.Y. 2023-24.
- (vi) **The statement is not correct.** Contribution to Tier II account of NPS would qualify for deduction under section 80C and not section 80CCD.

Question 2

Examine the allowability of the following:

- (i) *Rajan has to pay to a hospital for treatment ₹ 62,000 and spent nothing for life insurance or for maintenance of dependent disabled.*
- (ii) *Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited ₹ 25,000 with LIC for maintenance of dependant disabled.*
- (iii) *Rajan has incurred ₹ 20,000 for treatment and ₹ 25,000 was deposited with LIC for maintenance of dependant disabled.*
- (iv) *Payment of ₹ 50,000 by cheque to an electoral trust by an Indian company.*

Answer

- (i) The deduction of ₹ 75,000 under section 80DD is allowed, irrespective of the amount of expenditure incurred or paid by the assessee. If the expenditure is incurred in respect of a dependant with severe disability, the deduction allowable is ₹ 1,25,000.
- (ii) The assessee Rajan has deposited ₹ 25,000 for maintenance of dependent disabled. The assessee is, however, eligible to claim ₹ 75,000 since the deduction of ₹ 75,000 is allowed, irrespective of the amount deposited with

LIC. In the case of dependant with severe disability, the deduction allowable is ₹ 1,25,000.

- (iii) Section 80DD allows a deduction of ₹ 75,000 irrespective of the actual amount spent on maintenance of a dependent disabled and/or actual amount deposited with LIC. Therefore, the deduction will be ₹ 75,000 even though the total amount incurred/deposited is only ₹ 45,000. If the dependant is a person with severe disability the quantum of deduction is ₹ 1,25,000.
- (iv) Amount paid by an Indian Company to an electoral trust is eligible for deduction under section 80GGB from gross total income, since such payment is made otherwise than by way of cash.

Question 3

For the Assessment year 2023-24, the Gross total income of Mr. Chaturvedi, a resident in India, was ₹ 8,18,240 which includes long-term capital gain of ₹ 2,45,000 taxable under section 112 and Short-term capital gain of ₹ 58,000. The Gross total income also includes interest income of ₹ 12,000 from savings bank deposits with banks and ₹ 40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF ₹ 1,20,000 and also paid a medical insurance premium ₹ 51,000. Mr. Chaturvedi also contributed ₹ 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Chaturvedi, who is 70 years old as on 31.3.2023. Ignore the provisions of section 115BAC.

Answer

Computation of total income and tax payable by Mr. Chaturvedi for the A.Y. 2023-24

Particulars	₹	₹
Gross total income including long term capital gain		8,18,240
Less: Long term capital gain		2,45,000
		5,73,240
Less: Deductions under Chapter VI-A:		
Under section 80C in respect of PPF deposit	1,20,000	
Under section 80D (it is assumed that premium of ₹ 51,000 is paid by otherwise than by cash. The	50,000	

deduction would be restricted to ₹ 50,000, since Mr. Chaturvedi is a senior citizen)		
Under section 80G (See Notes 1 & 2 below)	17,662	
Under section 80TTB (See Note 3 below)	50,000	2,37,662
Total income (excluding long term capital gains)		3,35,578
Total income (including long term capital gains)		5,80,578
Total income (rounded off)		5,80,580
Tax on total income (including long-term capital gains of ₹ 2,45,000)		
LTCG ₹ 2,45,000 x 20%		49,000
Balance total income ₹ 3,35,580 (See Note 4 below)		1,779
		50,779
Add: Health and Education cess @4%		2,031
Total tax liability		52,810

Notes:**1. Computation of deduction under section 80G:**

Particulars	₹
Gross total income (excluding long term capital gains)	5,73,240
Less : Deduction under section 80C, 80D & 80TTB	2,20,000
	3,53,240
10% of the above	35,324
Contribution made	50,000
Lower of the two eligible for deduction under section 80G	35,324
Deduction under section 80G – 50% of ₹ 35,324	17,662

2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding ₹ 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.

3. Deduction of upto ₹ 50,000 under section 80TTB is allowed to a senior citizen if gross total income includes interest income on bank deposits, both fixed deposits and savings account.
4. Mr. Chaturvedi, being a senior citizen is eligible for a higher basic exemption of ₹ 3,00,000.

Question 4

Mr. Rajmohan whose gross total income was ₹ 6,40,000 for the financial year 2022-23, furnishes you the following information:

- (i) Stamp duty paid on acquisition of residential house (self-occupied) - ₹ 50,000.
- (ii) Five year post office time deposit - ₹ 20,000.
- (iii) Donation to a recognized charitable trust ₹ 25,000 which is eligible for deduction under section 80G at the applicable rate.
- (iv) Interest on loan taken for higher education of spouse paid during the year - ₹ 10,000.

Compute the total income of Mr. Rajmohan for the Assessment year 2023-24, assuming that he has not opted for section 115BAC.

Answer

Computation of total income of Mr. Rajmohan for the A.Y.2023-24

Particulars	₹	₹
Gross Total Income		6,40,000
Less: Deduction under Chapter VI-A		
<u>Under section 80C</u>		
Stamp duty paid on acquisition of residential house	50,000	
Five year time deposit with Post Office	20,000	
	70,000	
<u>Under section 80E</u>		
Interest on loan taken for higher education of spouse, being a relative.	10,000	
<u>Under section 80G (See Note below)</u>		
Donation to recognized charitable trust (50% of ₹ 25,000)	12,500	92,500
Total Income		5,47,500

Note: In case of deduction under section 80G in respect of donation to a charitable trust, the net qualifying amount has to be restricted to 10% of adjusted total income, i.e., gross total income less deductions under Chapter VI-A except 80G. The adjusted total income is, therefore, ₹ 5,60,000 (i.e. 6,40,000 – ₹ 80,000), 10% of which is ₹ 56,000, which is higher than the actual donation of ₹ 25,000. Therefore, the deduction under section 80G would be ₹ 12,500, being 50% of the actual donation of ₹ 25,000.

Question 5

Compute the eligible deduction under Chapter VI-A for the A.Y. 2023-24 of Ms. Roma, aged 40 years, who has a gross total income of ₹ 15,00,000 for the A.Y. 2023-24 and provides the following information about her investments/payments during the P.Y. 2022-23:

Sl. No.	Particulars	Amount (₹)
1.	Life Insurance premium paid (Policy taken on 31-03-2012 and sum assured is ₹ 4,40,000)	35,000
2.	Public Provident Fund contribution	1,50,000
3.	Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000
4.	Payment to L.I.C. Pension Fund	1,40,000
5.	Mediclaime Policy taken for self, wife and dependent children, premium paid by cheque	30,000
6.	Medical Insurance premium paid by cheque for parents (Senior Citizens)	52,000

Answer

Computation of eligible deduction under Chapter VI-A of Ms. Roma for A.Y. 2023-24

Particulars	₹	₹
Deduction under section 80C		
Life insurance premium paid ₹ 35,000 (allowed in full since the same is within the limit of 20% of the sum assured, the policy being taken before 1.4.2012)	35,000	
Public Provident Fund	1,50,000	

Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000	
	2,05,000	
Restricted to a maximum of ₹ 1,50,000	1,50,000	
Deduction under section 80CCC for payment towards LIC pension fund	1,40,000	
	2,90,000	
As per section 80CCE, aggregate deduction under, <i>inter alia</i> , section 80C and 80CCC, is restricted to		1,50,000
Deduction under section 80D		
Payment of medical insurance premium of ₹ 30,000 towards medical policy taken for self, wife and dependent children restricted to	25,000	
Medical insurance premium paid ₹ 52,000 for parents, being senior citizens, restricted to	50,000	75,000
Eligible deduction under Chapter VI-A		2,25,000