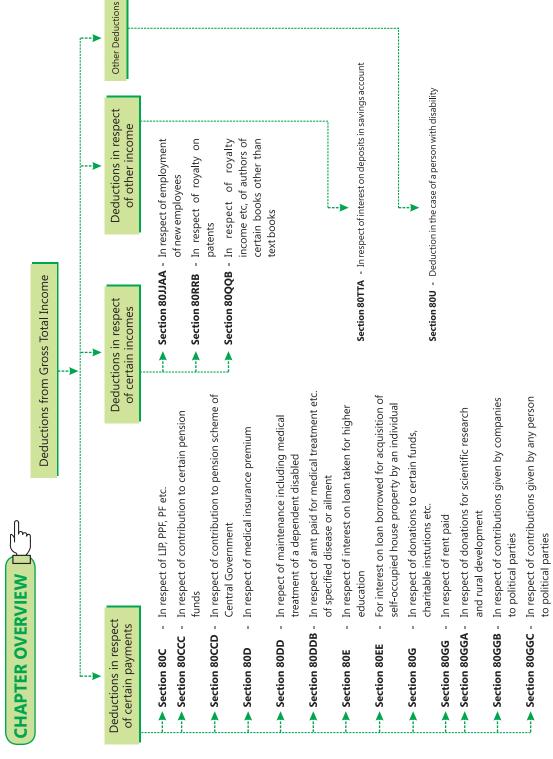
DEDUCTIONS FROM GROSS TOTAL INCOME

LEARNING OUTCOMES

After studying this chapter, you would be able to -

- appreciate the types of deductions allowable from gross total income.
- identify the assessees 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 and other deductions.

Section 80A

- 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.
- Section 80A(3) provides that in the case of AOP/BOI, if any deduction is admissible under section 80G/80GGA/80GGC/80-IA/80-IB/80-IC/80-ID/80-IE, 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 VIA 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)];
- The deduction, referred to in (iv) above, shall not exceed the profits and gains (v) of the undertaking or unit or enterprise or eligible business, as the case may be [Section 80A(4)];
- (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)1;
- (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,
 - 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;
- 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

This section provides that for the purpose of calculation of deductions specified in Chapter VI-A under the heading "C - Deductions in respect of certain incomes", the net income computed in accordance with the provisions of the Act (before making any deduction under Chapter VI-A) shall alone be regarded as income received by the assessee and which is included in his gross total income. Accordingly, the deductions specified in the aforesaid sections will be calculated with reference to the net income as computed in accordance with the provisions of the Act (before making deduction under Chapter VI-A) and not with reference to the gross amount of such income. This is notwithstanding anything contained in the respective sections of Chapter VI-A.

Section 80AC:Furnishing return of income on or before due date mandatory for claiming exemption under sections 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID and 80-IE

- 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 under the following sections –
 - Section 80-IA applicable to undertakings or enterprises engaged in infrastructure development, etc.
 - Section 80-IAB applicable to undertakings or enterprises engaged in any business of developing a special economic zone.
 - Section 80-IB applicable to certain industrial undertakings other than infrastructure development undertakings.

- (4) Section 80-IC applicable to certain undertakings or enterprises in certain special category States.
- (5) Section 80-IE applicable to certain undertakings in North-Eastern States.
- (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 in respect of certain income 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 80-IB, 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 80-IE.

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 80-IB.
- (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 80-IE.

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 setoff.

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



② 2. DEDUCTION 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) Premium paid in respect of Life Insurance policy

Premium paid on insurance on the life of the individual, spouse or 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 LIC [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".

	Exemptio	n u/s 10(10D)	Deduction u/s 80C
In respect of policies issued on or after 1.4.2012 but before 1.4.2013	the sum al exempt. H be availab any of the policy excessum assur- happening	received under a LIP including flocated by way of bonus is owever, exemption would not le if the premium payable for years during the term of the eeds 10% of "minimum capital ed" under the policy on the g of the insured event at any ig the term of the policy.	Premium paid to the extent of 10% of "minimum capital sum assured"
In respect of policies issued on or after	disa 80U	ere the insurance is on the life bility or severe disability as re or a person suffering from d cified under section 80DDB.	eferred to in section
1.4.2013	incluway exen if the the y polic capi polic insu	sum received under a LIP ading the sum allocated by of bonus is exempt. However, aption would not be available to premium payable for any of years during the term of the cy exceeds 15% of "minimum tal sum assured" under the cy on the happening of the red event at any time during term of the policy.	Premium paid to the extent of 15% of "minimum capital sum assured"
		ere the insurance is on the life er than mentioned in (a) abov	
	incluway exen if the the y polic capi polic insu	sum received under a LIP ading the sum allocated by of bonus is exempt. However, aption would not be available to premium payable for any of years during the term of the cy exceeds 10% of "minimum tal sum assured" under the cy on the happening of the red event at any time during term of the policy.	Premium paid to the extent of 10% of "minimum capital sum assured".

Notes:

- For the purpose of calculating the actual capital sum assured,
 - the value of any premiums agreed to be returned or
 - (2) the value of any benefit by way of bonus or otherwise, over and above the sum actually assured,

shall not be taken into account.

- **(b)** In respect of the life insurance policies to be issued on or after 1st April, 2012, the actual capital sum assured shall mean the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account
 - the value of any premium agreed to be returned; or
 - 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.

In effect, in case the insurance policy has varied sum assured during the term of policy then the minimum of the sum assured during the life time of the policy shall be taken into consideration for calculation of the "actual capital sum assured", in respect of life insurance policies to be issued on or after 1st April, 2012.

- (c) Any sum received under section 80DD(3) shall not be exempt under section 10(10D) Further, any sum received under a Keyman insurance policy shall also not be exempt.
- (d) 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. 2018-19 in respect of life insurance premium paid by Mr.Ganesh during the P.Y. 2017-18, the details of which are given hereunder -

	Date of issue of policy	Person insured	Actual capital sum assured (₹)	Insurance premium paid during 2017- 18(₹)
(i)	1/4/2011	Self	3,00,000	40,000

	Date of issue of policy	Person insured	Actual capital sum assured (₹)	Insurance premium paid during 2017- 18(₹)
(ii)	1/5/2014	Spouse	1,50,000	20,000
(iii)	1/6/2015	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 2017-18 (₹)	Deduction u/s 80C for A.Y.2018- 19 (₹)	Remark (restricted to % of sum assured)
(i)	1/4/2011	Self	3,00,000	40,000	40,000	20%
(ii)	1/5/2014	Spouse	1,50,000	20,000	15,000	10%
(iii)	1/6/2015	Handicapped son (section 80U disability)	4,00,000	80,000	60,000	15%
				Total	1,15,000	

(2) 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.

(3) 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 for securing a deferred annuity or making provisions for his spouse or children. The excess, if any, over one-fifth of the salary is to be ignored.

(4) 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.

(5) Contribution to approved superannuation Fund

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

(6) 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 Samriddhi 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 -

- the individual himself or herself; (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.

(7) 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).

(8) Contribution in Unit-linked Insurance Plan 1971

Contributions in the name of the individual, his 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.

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

Contributions in the name of the individual, his 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.

(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, 1956 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.

"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 institutions 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 –

- should be chargeable to tax under the head "Income from house property"; (i)
- 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:

- Any installment or part payment of the amount due under any selffinancing 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
- (ii) Any installment 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
- (iii) Repayment of amount borrowed by the assessee from:
 - (a) The Central Government or any State Government;
 - (b) Any bank including a co-operative bank;
 - (c) The Life Insurance Corporation;
 - (d) The National Housing Bank;
 - 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);
 - Any company in which the public are substantially interested or (f) any cooperative society engaged in the business of financing the construction of houses:

- (g) 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:
- (h) 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.
- (iv) 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:

- (i) 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
- (ii) the cost of any addition or alteration or renovation or repair of the house property after the completion of the house or after the house has been occupied by the assessee or any person on his behalf or after it has been let out; or
- (iii) 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.

A lock-in period of three years is provided in respect of such equity shares or debentures. In case of any sale or transfer of shares or debentures within three years of the date of acquisition, the aggregate amount of deductions allowed in respect of such equity shares or debentures in the previous year or years preceding the previous year in which such sale or transfer has taken place shall be deemed to be the income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

A person shall be treated as having acquired any shares or debentures on the date on which his name is entered in relation to those shares or debentures in the register of members or of debenture-holders, as the case may be, of the public company.

(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.

- (1) for a period of not less than five years with a scheduled bank; and
- 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,
- (2) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, or
- a corresponding new bank constituted under section 3 of the -
 - Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or
 - Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or
- 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.

(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:

terminates his contract of insurance referred to in (1) 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 (8) or (9) 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.

ILLUSTRATION 3

Mr. A, aged about 61 years, has earned a lottery income of $\stackrel{?}{_{\sim}}$ 1,20,000 (gross) during the P.Y. 2017-18. He also has interest on Fixed Deposit of $\stackrel{?}{_{\sim}}$ 30,000. He invested an amount of $\stackrel{?}{_{\sim}}$ 10,000 in Public Provident Fund account and $\stackrel{?}{_{\sim}}$ 24,000 in National Saving Certificates. What is the total income of Mr. A for the A.Y.2018-19?

SOLUTION

Computation of total income of Mr.A for A.Y.2018-19

Particulars	₹	₹
Income from other sources		
- Interest on Fixed Deposit		30,000
- lottery income		1,20,000
Gross Total Income		1,50,000
Less: Deductions under Chapter VIA [See Note below]		
Under section 80C	10,000	
- Deposit in Public Provident Fund		
- Investment in National Saving Certificate	24,000	
	34,000	
Restricted to		30,000
Total Income		1,20,000

Note: Though the value of eligible investments is $\stackrel{?}{\underset{\begin{subarray}{c}}{\lower.put}}} 34,000$, however, deduction under Chapter VIA cannot exceed the gross total income exclusive of long term capital gains, short-term capital gains covered under section 111A, winnings of lotteries etc of the assessee.

Therefore, the maximum permissible deduction u/s 80C = ₹ 1,50,000 - ₹ 1,20,000 = ₹ 30,000.

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

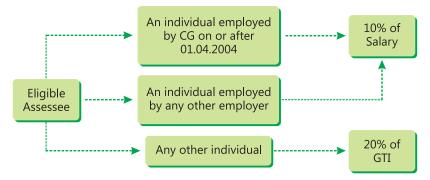
- (i) Where an assessee, being an individual, has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund set up by LIC or such other insurer, he shall be allowed a deduction in the computation of his total income.
- (ii) For this purpose, the interest or bonus accrued or credited to the assessee's account shall not be reckoned as contribution.
- (iii) 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).
- (iv) 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.
- (v) 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.

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

- (i) 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) Section 80CCD provides deduction in respect of contribution made to the pension scheme notified bythe 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) 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.

Deduction under section 80CCD(1)



(iv) 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).

- (v) Where as the deduction under section 80CCD(1) is subject to the over all limit of ₹ 1.50 lakh under section 80CCE, 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.
- (vi) Under section 80CCD(2), contribution made by the Central 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.
- (vii) The entire employer's contribution would be included in the salary of the employee. However, deduction under section 80CCD(2) would be restricted to 10% of salary.

Note: The limit of $\stackrel{?}{\underset{\sim}{\sim}}$ 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).

- (viii) Further, 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
 - closure of the account or (a)
 - (b) his opting out of the said scheme or
 - receipt of pension from the annuity plan purchased or taken on such closure (c) 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.

- However, the assessee shall be deemed not to have received any amount in the (ix) previous year if such amount is used for purchasing an annuity plan in the same previous year.
- No deduction will be allowed under section 80C in respect of amounts paid or (x) deposited by the assessee, for which deduction has been allowed under section 80CCD(1) or under section 80CCD(1B).

Notes:

- Exemption on payment from NPS Trust to an employee on closure of his account or on his opting out of the pension scheme [Section 10(12A)]
 - As per section 80CCD, any payment from National Pension System Trust to an employee 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 employee on account of closure or his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed 40% 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, new clause (12B) has been inserted in section 10 to provide that any payment from National Pension System Trust to an employee under the pension scheme referred to in section 80CCD, on partial withdrawn 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 w.e.f. A.Y. 2018-19 –

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 employer to NPS of Government (outside the limit of ₹ 1,50,000 under section 80CCE)	10% of salary

ILLUSTRATION 4

An individual assessee, resident in India, has made the following deposit/payment during the previous year 2017-18:

Particulars Particulars	₹
Contribution to the public provident fund	1,50,000
Insurance premium paid on the life of the spouse (policy taken on 1.4.2014) (Assured value ₹ 2,00,000)	25,000

What is the deduction allowable under section 80C for A.Y.2018-19?

SOLUTION

Computation of deduction under section 80C for A.Y.2018-19

Particulars 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	1,50,000
to	

Note: As per section 80CCE, the aggregate deduction under section 80C, 80CCC and 80CCD(1) cannot exceed ₹ 1,50,000.

ILLUSTRATION 5

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 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 Allowanceforms 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 6

The gross total income of Mr.X for the A.Y. 2018-19 is ₹ 5,00,000. He has made the following investments/payments during the F.Y. 2017-18 –

	Particulars 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. 2018-19.

SOLUTION

Computation of deduction under Chapter VI-A for the A.Y.2018-19

	Particulars Particulars	₹		
Ded	Deduction under section 80C			
(1)	Contribution to PPF – fully allowed, since it is within the limit of ₹ 1,50,000	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	25,000		
		1,80,000		
	Restricted to ₹ 1,50,000, being the maximum permissible deduction u/s 80C			
Ded	uction under section 80CCC			
(4)	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			
Ded	uction allowable under Chapter VIA for the A.Y.2018-19	1,50,000		

2.5 Deduction in respect of investment made under an equity savings scheme [Section 80CCG]

- Deduction under this section would be available to a new retail investor, being a resident individual with gross total income of up to ₹ 12 lakh, for investment in listed equity shares or listed units of equity oriented fund, in accordance with a notified scheme.
 - The deduction is 50% of amount invested in such equity shares or ₹ 25,000 whichever is lower. The maximum deduction of ₹ 25,000 is available on investment of ₹ 50,000 in such listed equity shares.

Further, the deduction shall be allowed for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented fund were first acquired.

(ii) Therefore, the conditions under section 80CCG for claiming deduction would be-



- (iii) If the resident individual, after having claimed such deduction, fails to comply with any of the conditions in any previous year, say, he sells the shares or units within one year, then, the deduction earlier allowed shall be deemed to be the income of the previous year in which he fails to comply with the condition. The income shall, accordingly, be liable to tax in the assessment year relevant to such previous year.
- (iv) No deduction under this section shall be allowed from A.Y. 2018-19. However, an assessee who has claimed deduction under this section for A.Y. 2017-18 or earlier assessment year, shall be allowed deduction till A.Y. 2019-20, if he is otherwise eligible to claim the deduction as per the provisions of this section.

Rajiv Gandhi Equity Savings Scheme, 2013

The Central Government has, in exercise of the powers conferred by section 80CCG(1), notified the Rajiv Gandhi Equity Savings Scheme, 2013. The said scheme provides for eligibility criteria, procedure for investment, period of holding and other conditions.

S.	Particulars	Content		
No.				
1.	Eligibility	The deduction under this scheme shall be available to a new retail investor who complies with the conditions of the Scheme and whose gross total income for the financial year in which the investment is made under the Scheme is less than or equal to ₹ 12 lakh.		
		New retail investor means a resident individual,: (i) who has not opened a demat account and has not made any transactions in the derivative segment before — - the date of opening of a demat account; or - the first day of the initial year, However, an individual who is not the first account holder of an existing joint demat account shall be deemed to have not opened a demat account for the purposes of this Scheme; (ii) who has opened a demat account but has not made any transactions in the equity segment or the derivative segment before — - the date he designates his existing demat account for the purpose of availing the benefit under the Scheme; or		
		- the first day of the initial year .		
		Initial year means - (a) the financial year in which the investor designates his demat account as Rajiv Gandhi Equity Savings Schemaccount and makes investment in the eligible securities for availing deduction under the Scheme; or (b) the financial year in which the investor makes investment in eligible securities for availing deduction under the Scheme for the first time, if the investor do not make any investment in eligible securities in the financial year in which the account is so designated.		

2. Procedure for investment under the Scheme

A new retail investor shall make investments under the Scheme in the following manner, namely:-

- 1. the new retail investor may invest in one or more financial years in a block of three consecutive financial years beginning with the initial year;
- 2. the new retail investor may make investment in eligible securities in one or more than one transaction during any financial year during the three consecutive financial years beginning with the initial year in which the deduction has to be claimed;
- 3. the new retail investor may make any amount of investment in the demat account but the amount eligible for deduction under the Scheme shall not exceed fifty thousand rupees in a financial year;
- 4. the new retail investor shall be eligible for the tax benefit under the Scheme only for three consecutive financial years beginning with the initial year, in respect of the investment made in each financial year;
- 5. if the new retail investor does not invest in any financial year following the initial year, he may invest in the subsequent financial year, within the three consecutive financial years beginning with the initial year, in accordance with the Scheme; 6. the new retail investor who has claimed a deduction under sub-section (1) of section 80CCG of the Act in any assessment year shall not be allowed any deduction under the Scheme for the same investment for any other assessment year;
- 7. the new retail investor shall be permitted a grace period of seven trading days from the end of the financial year so that the eligible securities purchased on the last trading day of the financial year also get credited in the demat account and such securities shall be deemed to have been acquired in the financial year itself;
- 8. the new retail investor can make investments in securities other than the eligible securities covered under the Scheme and such investments shall not be subject to the conditions of the Scheme nor shall they be counted for availing the benefit under the Scheme;
- 9. the deduction claimed shall be withdrawn if the lock-in period requirements of the investment are not complied with or any other condition of the Scheme is contravened by the new retail investor.

3. Period of holding

The period of holding of eligible securities invested in each financial year shall be under a lock-in period of three years to be counted in the following manner:

Type of lock-in	Meaning	Condition
Fixed lock-in period	The period commencing from the date of purchase of eligible securities in the relevant financial year and ending on 31st March of the year immediately following the relevant financial year.	The new retail investor shall hold eligible securities for fixed lock-in period. He shall not be permitted to sell, pledge or hypothecate any eligible security during the fixed lock-in period.
Flexible lock-in period	The period of two years beginning immediately after the end of the fixed lock-in period shall be called the flexible lock-in period.	The new retail investor shall be permitted to trade the eligible securities after the completion of the fixed lock-in period subject to the conditions prescribed under the scheme. The demat account should be compliant for a cumulative period of a minimum of 270 days during each of the two years of the flexible lock-in period. The demat account shall be considered as compliant for the number of days for which the value of the investment portfolio of eligible securities (other than those which are in fixed lock-in) is equal to or higher than the corresponding investment claimed as eligible for the purpose of deduction under section 80CCG.

4.	Other Conditions	While making initial investments up to ₹ 50,000, the total cost of acquisition of eligible securities shall not include brokerage charges, securities transaction tax, stamp duty, service tax and any other tax, which may appear in the contract note. Where the investment of the new retail investor undergoes a change as a result of involuntary corporate actions including demerger of companies, amalgamation and such other actions, as may be notified by SEBI, resulting in debit or credit of securities covered under the Scheme, the deduction claimed by such investor shall not be affected. In the case of voluntary corporate actions, including buyback resulting only in debit of securities where new retail investor has the option to exercise his choice, the same shall be considered as a sale transaction for the purpose of the Scheme.
5. Consequence of failure to comply with the prescribed conditions		If the new retail investor fails to fulfill any of the provisions of the Scheme, the deduction originally allowed to him under section 80CCG(1) for any previous year, shall be deemed to be the income of the assessee of the previous year in which he fails to comply with the provisions of the Scheme and shall be liable to tax for the assessment year relevant to such previous year.
6.	Savings	A new retail investor who has invested in accordance with the Rajiv Gandhi Equity Savings Scheme, 2012 shall continue to be governed by the provisions of that Scheme to the extent it is not in contravention of the provisions of this Scheme and such investor shall also be eligible for the benefit of investment made in accordance with this Scheme for the financial years 2013-14 and 2014-15.

ILLUSTRATION 7

Mr. X, Mr. Y and Mr. Z, new retail investors for the previous year 2015-16, 2016-17 and 2017-18, respectively, have made the following investments in equity shares/units of equity oriented fund of Rajiv Gandhi Equity Savings Scheme for the P.Y. 2017-18 as below:

	Particulars Particulars	Mr. X	Mr. Y	Mr. Z
		₹	₹	₹
(i)	Investment in listed equity shares	20,000	45,000	32,000
(ii)	Investment in units of equity-oriented	40,000	-	18,000
	fund			

	Particulars Particulars	Mr. X	Mr. Y	Mr. Z
		₹	₹	₹
(iii)	Gross Total Income (comprising of salary income and bank interest)	11,25,000	12,15,000	11,50,000

Mr. X has claimed deduction under section 80CCG for A.Y. 2016-17 and A.Y. 2017-18 and Mr. Y for A.Y. 2017-18.

Compute the deduction under section 80CCG for the Assessment Year 2018-19.

SOLUTION

Computation of Deduction under section 80CCG for the A.Y.2018-19

Particulars	Mr. X	Mr. Y	Mr. Z
	₹	₹	₹
Deduction u/s 80CCG for A.Y. 2018-19	25,000	NIL	NIL
Remark	(Restricted to 50% of ₹ 50,000)	(Since GTI > ₹ 12,00,000)	No deduction is allowed from A.Y. 2018-19.

Note – Mr. X is eligible for deduction under section 80CCG for A.Y. 2018-19, since he has claimed deduction thereunder for A.Y. 2016-17 and A.Y. 2017-18 and he fulfills the conditions for claim of deduction in A.Y. 2018-19.

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

In case of an Individual

- A deduction to the extent of ₹ 25,000 is allowed in respect of the following (i) payments -
 - (1) premium paid to effect or keep in force an insurance on the health of self, spouse and dependent children or
 - any contribution made to the Central Government Health Scheme or (2)
 - 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.
- A further deduction up to ₹ 25,000 is allowable (ii)
 - to effect or keep in force an insurance on the health of parents.
 - on account of preventive health check-up of parents.

Also, deduction would be allowed only if the payment of insurance premium is made in any mode other than cash.

An increased deduction of ₹ 30,000 (instead of ₹ 25,000) shall be allowed in case any of the persons mentioned above is a senior citizen or very 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 or an individual resident in India of the age of 80 years or more at any time during the relevant previous year.

- (iii) 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 made during the previous year. However, the said deduction of ₹ 5,000 is within the overall limit of ₹ 25,000 or ₹ 30,000, as the case may be.
- (iv) Further it is provided that, for claiming such 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) As a welfare measure towards very senior citizens i.e., person of the age of 80 years or more and resident in India, who are unable to get health insurance coverage, deduction of upto ₹ 30,000 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).

'Very senior citizen' means an individual resident in India who is of the age of 80 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 $\stackrel{?}{\sim} 25,000$ and in case any member is a senior citizen, $\stackrel{?}{\sim} 30,000$. Further, the amount paid on account of medical expenditure incurred on the health of any member(s) of a family who is a very senior citizen would qualify for deduction subject to a maximum of $\stackrel{?}{\sim} 30,000$ 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	Expend	iture on behalf of	Deduction
I	(i) Any premium paid, otherwise than by way of cash, to keep	In case of individual In case of	Self, spouse and dependent children Family member	₹ 25,000
	in force an insurance on the health (ii) Contribution to Central Government	HUF		
	Health Scheme (CGHS) (iii) Preventive	is of the ag	of the above persons e of 60 years or more sident in India	₹ 30,000
	health check up expenditure			
II	(i) Any premium paid, otherwise than by		Parents	₹ 25,000
	way of cash, to keep in force an insurance on the health	In case either or both the parents is of the age of 60 years or more + Resident in India		₹ 30,000
	(ii) Preventive health check up			
	Maximum ₹ 5,000 allowed as deduction for aggregate of preventive health of up expenditure mentioned in I and II (Subject to overall limit of ₹ 25,000 ₹ 30,000, as the case may be)			
III	Amount paid on account of medical expenditure	of the age o Resident in I been made	use/parents+who is f 80 years or more + ndia+no payment has to keep in force an n the health of such	₹ 30,000

Note: In case the individual or any of his family members is a senior citizen or very 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 ₹ 30,000.

In case one of the parents is a senior citizen and another is a very senior citizen or both of them are very senior citizens, the aggregate of deduction, in respect of payment of medical insurance premium and medical expenditure incurred, as specified in (II) &

(III) above, cannot exceed ₹ 30,000.

ILLUSTRATION 8

Mr. A, aged 40 years, paid medical insurance premium of \ref{thmu} 20,000 during the P.Y.2017-18 to insure his health as well as the health of his spouse. He also paid medical insurance premium of \ref{thmu} 27,000 during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed \ref{thmu} 3,600 to Central Government Health Scheme during the year. He has incurred \ref{thmu} 3,000 in cash on preventive health check-up of himself and his spouse and \ref{thmu} 4,000 by cheque on preventive health check-up of his father. Compute the deduction allowable under section 80D for the A.Y. 2018-19.

SOLUTION

Deduction allowable under section 80D for the A.Y. 2018-19

	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
В.	Premium paid and medical expenditure incurred for father, who is a senior citizen		
(i)	Medi-claim premium paid for father, who is over 60 years of age	27,000	27,000
(ii)	Expenditure on preventive health check-up of father	4,000	3,000
		31,000	30,000
	Total deduction under section 80D (₹ 25,000 + ₹ 30,000)		55,000

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 ₹ 30,000.

- Therefore, the expenditure on preventive health check-up for father would be restricted to ₹ 3,000, being (₹ 30,000 – ₹ 27,000).
- 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 less than the maximum permissible limit of ₹ 5,000.

ILLUSTRATION 9

Mr. Y, aged 40 years, paid medical insurance premium of ₹ 22,000 during the P.Y.2017-18 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of $\stackrel{?}{\stackrel{?}{\sim}}$ 33,000 during the year to insure the health of his father, aged 67 years, who is not dependent on him. He contributed ₹ 2,400 to Central Government Health Scheme during the year. Compute the deduction allowable under section 80D for the A.Y.2018-19.

SOLUTION

Deduction allowable under section 80D for the A.Y. 2018-19

	Particulars	₹
(i)	Medical insurance premium paid for self, spouse and dependent children	22,000
(ii)	Contribution to CGHS	2,400
(iii)	Medi-claim premium paid for father, who is over 60 years of age ($₹$ 33,000 but restricted to $₹$ 30,000, being the maximum allowable)	30,000
		54,400

Note – The total deduction under (i) and (ii) above should not exceed ₹ 25,000. In this case, since the total of (i) and (ii) (i.e., ₹ 24,400) does not exceed ₹ 25,000, the same is fully allowable under section 80D.

However, had the medical insurance premium paid for self, spouse and children been ₹ 24,000 instead of ₹ 22,000, then, the total of ₹ 26,400 (i.e., ₹ 24,000 + ₹ 2,400) under (i) and (ii) above would be restricted to ₹ 25,000. In such a case, the total deduction allowable under section 80D would be ₹ 55,000 [i.e., ₹ 25,000 [(i) & (ii)] + ₹ 30,000 (iii)].

2.7 Deduction in respect of maintenance including medical treatment of a dependent disabled [Section 80DD]

- Section 80DD provides deduction to an assessee, who is a resident in India, being an individual or Hindu undivided family.
- (ii) 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 Company as referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, for the maintenance of a dependant, being a person with disability qualifies for deduction.
- (iii) The scheme should provide for payment of annuity or a lump sum amount for the benefit of a dependent, being a person with disability, in the event of the death of the individual or member of the HUF, in whose name subscription was made and the assessee must nominate either the dependent, being a person with disability or any other person or a trust to receive the payment on his behalf, for the benefit of the dependent, being a person with disability.
- (iv) The benefit of deduction under this section is also available to assessees incurring expenditure on maintenance including medical treatment of persons suffering from autism, cerebral palsy and multiple disabilities.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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 in the previous year in which such amount is received by the assessee.

(ix) Meaning of "Dependant":

	Assessee	Dependent	
(1)	Individual	the spouse, children, parents, brother or sister of the individual who is wholly or mainly dependent 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 10

Mr. X is a resident individual. He deposits a sum of ₹ 50,000 with Life Insurance Corporation every year for the maintenance of his handicapped 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. 2018-19.

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 relative. Grandfather does not come within the definition of dependant relative.

ILLUSTRATION 11

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 relative, 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.

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

- **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	Dependent		
(1)	Individual	he spouse, children, parents, brother or sister of the ndividual or any of them, wholly or mainly dependent on uch individual for his support and maintenance.		
(2)	HUF	member of the HUF, wholly or mainly dependant on such		

(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 dependent, 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 ₹ 60,000, whichever is less. Further, a higher limit of deduction of upto ₹ 80,000 is allowable to the assessee, for the expenditure incurred in respect of the medical treatment of himself or a dependent, being a "very senior citizen". A "very senior citizen" is as an individual resident in India who is of the age of 80 years or more at any time during the relevant previous year.

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 dependent

(v) Maximum deduction: The maximum limit of deduction under section 80DDB for the various categories of dependent are summarized hereunder:

	Dependent	Maximum limit (₹)
(1)	A very senior citizen, being a resident individual	80,000
(2)	A senior citizen, being a resident individual	60,000
(3)	Dependent, other than mentioned in (1) & (2) above	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.

2.9 Deduction in respect of interest 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 authority¹ or an institution referred to in section 80G(2)(a).
- (vii) Meaning of "Financial institution": It means
 - 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);
 - (2) any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf.

ILLUSTRATION 12

Mr. B has taken three education loans on April 1, 2017, the details of which are given helow:

	Loan 1	Loan 2	Loan 3
For whose education loan was taken	В	Son of B	Daughter of B
Purpose of loan	MBA	B. Sc.	В.А.
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.2018-19.

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.

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

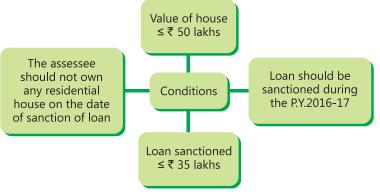
¹ under section 10(23C)

deduction.

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

2.10 Deduction for interest on loan borrowed for acquisition of self-occupied house property by an individual [Section 80EE]

- (i) Section 80EE provides additional deduction in respect of interest on loan taken by an individual for acquisition of residential house property from any financial institution.
- (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	 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.

ILLUSTRATION 13

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. 2018-19 under the provisions of the Income-tax Act, 1961, assuming that the entire loan was outstanding as on 31.3.2018 and he does not own any other house property.

SOLUTION

	Particulars	₹	
Inte	Interest deduction for A.Y.2018-19		
(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	

2.11 Deduction in respect of donations to certain funds, charitable institutions etc. [Section 80G]

(i) Where an assessee pays any sum as donation to eligible funds or institutions, he 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

r	
(8)	Maharashtra Chief Minister's Earthquake Relief Fund
(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 for 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 of 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
(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 constituted under section 7A of the Narcotic Drugs and Psychotroic Substances Act, 1985

П	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

Ш	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 improvement of cities, towns and villages, or both
(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

- (ii) **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.
- (iv) **Meaning of adjusted gross total income:** It means the gross total income as reduced by the following:
 - (1) amount of deductions under sections 80C to 80U (but not including section 80G),
 - (2) Any income on which income-tax is not payable,
 - (3) Long term capital gains taxable under section 112 and short term capital gains taxable under section 111A.

(v) 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.

ILLUSTRATION 14

Mr. Shiva aged 61 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 1.4.2014)
 (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 registered under 80G ₹ 1,50,000 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 toJawaharlal 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

Compute the total income of Mr. Shiva for A.Y. 2018-19.

SOLUTION

Computation of Total Income of Mr. Shiva for A.Y. 2018-19

Particulars	₹	₹
Gross Total Income		7,75,000
Less: Deduction under section 80C		
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	
Deduction under section 80CCC in respect of LIC pension fund	60,000	78,000
Deduction under section 80D		
Medical Insurance premium in respect of self and spouse		26,000
Deduction under section 80G (See Working Note below)		91,050
Total income		5,79,950

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	1,50,000	50% subject to qualifying limit (See Note below)	13,550
				91,050

Note - Adjusted total income = Gross Total Income – Amount of deductions under section 80C to 80U except section 80G i.e,, ₹ 6,71,000, in this case.

₹ 67,100, 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 beadjusted against this amount. Thereafter, donation to public charitable trust qualifying for 50% deduction, subject to qualifying limit is adjusted. Hence,the contribution of ₹ 1,50,000 to public charitable trust is restricted to ₹ 27,100 (being, ₹ 67,100 - ₹ 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 ₹ 13,550, which is 50% of ₹ 27,100.

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

- (i) This section provides for deduction in respect of rent paid.
- (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 an 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 15

Mr. Ganesh, a businessman, whose total income (before allowing deduction under section 80GG) for A.Y.2018-19 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.2018-19.

SOLUTION

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

Actual rent paidless 10% of total income

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

(ii) 25% of total income

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

Deduction allowable (least of A, B and C) = ₹ 60,000

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

- Section 80GGA grants deduction in respect of the donations made for scientific research or rural development by any assessee not having income chargeable under the head "Profits and gains of business or profession".
- **Donations qualifying for deduction:** (ii)
 - 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; and
 - 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 is, however, essential that in respect of both the aforesaid donations, the association or institution to which the donation is given must be approved by the prescribed authority; in the case of donation for scientific research, the donation must be to the institution approved under section 35(1)(ii) whereas in the case of donation for rural development the institution or association must be approved by the prescribed authority under section 35CCA(2).

- (3) 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 Research Association, University, College or institution must be approved under section 35(1)(iii).
- (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.
- (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 ₹ 10,000 unless such sum is paid by any mode other than cash.

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

- (i) 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, 1956, which provides that -
 - 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 16

During the P.Y.2017-18, ABC Ltd., an Indian company,

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

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

- (i) **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

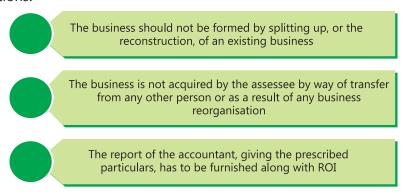
3.1 Deduction in respect of employment of new employees [Section **80JJAA**]

(i) Quantum 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:



Meaning of certain terms: (v)

employee cost In the case of an existing business Nil, if— (a) there is no increase in the number of employees from the total number of employees employed as on the laday of the preceding year;		Term	Meaning		
existing business Nil, if— (a) there is no increase in the number of employees from the total number of employees employed as on the lad day of the preceding year;	(a)		Total emoluments paid or payable to additional employees employed during the previous year.		
than by an account payee chequor			In the case of an	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	

	Term	Meaning		
		In the first year of a new business The emoluments paid or payable to employees employed during that previous year shall be deemed to be the additional employee cost.		
(b)	Additional employee	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. Exclusions from the definition: (a) an employee whose total emoluments are more than ₹ 25,000 per month; or (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 (c) an employee employed for a period of less than 240 days during the previous year. In case of an assessee engaged in the business of manufacturing of apparel, an employee employed for a period of less than 150 days during the previous year; or (e) an employee who does not participate in the recognised provident fund.		
(c)	Emoluments	any sum paid or payable to an employee in lieu of his employment by whatever name called.		
		Exclusions from the definition:		
		(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		
		(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.		

ILLUSTRATION 17

Mr. A has commenced the business of manufacture of computers on 1.4.2017. He employed

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	<i>75</i>	1.4.2017	Regular	24,000
(ii)	125	1.5.2017	Regular	26,000
(iii)	50	1.8.2017	Casual	25,500
(iv)	100	1.9.2017	Regular	24,000

350 new employees during the P.Y. 2017-18, the details of whom are as follows -

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. 2018-19, if the profits and gains derived from manufacture of computers that year is ₹ 75 lakhs and his total turnover is ₹ 2.16 crores.

What would be your answer if Mr. A has commenced the business of manufacture of apparel on 1.4.2017?

SOLUTION

Mr. A is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y.2018-19, as his total turnover from business exceeds ₹ 1 crore and he has employed "additional employees" during the P.Y.2017-18.

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 w	vorkmen	
Total r	number of employees employed during the year		350	
Less:	Less: Casual employees employed on 1.8.2017 who do not participate in recognized provident fund			
	Regular employees employed on 1.5.2017, since their total monthly emoluments exceed ₹ 25,000	125		
	Regular employees employed on 1.9.2017 since they have been employed for less than 240 days in the P.Y.2017-18.	100	275	
Numb	per of "additional employees"		75	

Note - Since casual employees do not participate in recognized provident fund, they do not qualify as additional employees. Further, 125 regular employees employed on 1.5.2017 also do not qualify as additional employees since their monthly emoluments exceed ₹ 25,000. Also, 100 regular employees employed on 1.9.2017 do not qualify as additional employees for the P.Y.2017-18, since they are employed for less than 240 days in that year.

Therefore, only 75 employees employed on 1.4.2017 qualify as additional employees, and the total emoluments paid or payable to them during the P.Y. 2017-18 is deemed to be the additional employee cost.

Ш If Mr. A is engaged in the business of manufacture of apparel

If Mr. A is engaged in the business of manufacture of apparel, then, he would be entitled to deduction under section 80JJAA in respect of employee cost of regular employees employed on 1.9.2017, since they have been employed for more than 150 days in the previous year 2017-18.

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]

- 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 i.e., the deduction shall be the income derived as author or ₹ 3,00,000, whichever is less.
- This income may be received either by way of a lumpsum consideration for the (ii) assignment or grant of any of his interests in the copyright of any book.
- 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.
- (iv) However, this deduction shall not be available in respect of royalty income from textbook for schools, guides, commentaries, newspapers, journals, pamphlets and other publications of similar nature.
- 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.
- (vi) For the purpose of calculating the deduction under this section, the amount of eligible income (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.
- (vii) 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.

- (viii) 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 (ix) authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.

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

- This section allows deduction to a resident individual in respect of income by way of royalty of a patent registered on or after 1.4.03 up to an amount of \mathfrak{T} 3 lakhs.
- This deduction shall be available only to a resident individual who is registered as (i) the true and first inventor in respect of an invention under the Patents Act, 1970, including the co-owner of the patent.
- (ii) 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 thereof in India.
- 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) 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 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, alongwith the return of income.
- No deduction in respect of such income will be allowed under any other provision (v) of the Income-tax Act, 1961.
- (vi) Where the patent is subsequently revoked or the name of the assessee was excluded from the patents register as patentee in respect of that patent, the deduction allowed during the period shall be deemed to have been wrongly allowed and the assessment shall be rectified under the provisions of section 155.
- (viii) The period of 4 years for rectification shall be reckoned from the end of the previous year in which the order of the revocation of the patent is passed.

4. DEDUCTION IN RESPECT OF OTHER INCOME

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

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:

- 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.
- (ii) However, 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.
- (iii) 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.

ILLUSTRATION 18

Mr. Gurnam, aged 42 years, has salary income (computed) of $\stackrel{?}{\stackrel{?}{?}}$ 5,50,000 for the previous year ended 31.03.2018. He has earned interest of $\stackrel{?}{\stackrel{?}{?}}$ 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 2018-19 from the following particulars:

- (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 15.07.2014 and the sum assured on life of his dependent parents is ₹ 1,25,000.
- (ii) Life insurance premium of ₹ 25,000 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 ₹ 1,75,000 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 08.09.2014 and the sum assured is ₹ 2,00,000.
- (iv) Premium of ₹ 22,000 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 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 ₹ 15,000 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 2018-19

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)			
Life insurance premium paid for life insurance of:			
- major son	25,000		
- self ₹ 22,500 restricted to 10% of ₹ 2,00,000	20,000	45,000	
Under section 80D (See Note 2)			
Premium paid for health insurance of self and wife by cheque	22,000		
Payment made for health check-up:			
- Self ₹ 1,500			
- His Parents ₹ <u>4,500</u>			
₹ <u>6,000</u> restricted to	5,000	27,000	
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	88,500
Total Income			4,76,000

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 after 01.04.2012, deduction shall be allowed

forlife 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 ₹ 25,000 is allowable 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 ₹ 1,75,000. 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 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, deduction of ₹ 22,000 is allowed in respect of premium paid for health insurance of self and wife. Also, the aggregate value of premium paid for health insurance and the payment for health check-up is ₹ 23,500 (₹ 22,000 + ₹ 1,500), which is less than ₹ 25,000. Further, deduction up to a maximum of ₹ 5,000 is allowable in respect of health check-up of self and his parents. This implies that ₹ 3,500 is allowable for health check-up of parents which falls within the additional limit of ₹ 30,000 for mediclaim premium and expenditure on preventive health check-up of parents who are senior citizens.
- No deduction shall be allowed under section 80G in case the donation is made in cash of a sum exceeding ₹ 2,000. Therefore, no deduction is allowed under section 80G in respect of donation made to institution approved therein.
- (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, a 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]

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) 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. 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.
- (iii) The benefit of deduction under this section has also been extended to persons suffering from autism, cerebral palsy and multiple disabilities.
- (iv) 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.
- (v) 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.

EXERCISE

Question 1

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

- (i) During the financial year 2017-18, 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 1.5.2017, 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.2018-19.

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. 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.
- 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.
- The statement is not correct. A proviso has been inserted in section 80CCD(3) to provide 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. Sheela would not be deemed to be her income for A.Y. 2018-19.

Ouestion 2

Examine the allowability of the following:

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

Answer

- (i) The deduction of ₹ 75,000 under section 80DD is allowed in full, 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.
- The assessee Rajan has deposited ₹ 25,000 for maintenance of handicapped (ii) dependent. The assessee is, however, eligible to claim ₹ 75,000 since the deduction of ₹ 75,000 is allowed in full, 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 handicapped dependent and/or actual amount deposited with LIC. Therefore, the deduction will be ₹ 75,000 even though the total amount incurred/deposited is ₹ 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 2018-19, the Gross Total Income of Mr. Chaturvedi, a resident in India, was $\stackrel{?}{_{\sim}}$ 8,18,240 which includes long-term capital gain of $\stackrel{?}{_{\sim}}$ 2,45,000 and Short-term capital gain of $\stackrel{?}{_{\sim}}$ 58,000. The Gross Total Income also includes interest income of $\stackrel{?}{_{\sim}}$ 12,000 from savings bank deposits with banks. Mr. Chaturvedi has invested in PPF $\stackrel{?}{_{\sim}}$ 1,40,000 and also paid a medical insurance premium $\stackrel{?}{_{\sim}}$ 31,000. Mr. Chaturvedi also contributed $\stackrel{?}{_{\sim}}$ 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 31.3.2018.

Answer

Computation of total income and tax payable by Mr. Chaturvedi for the A.Y. 2018-19

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	1,40,000	
Under section 80D (it is assumed that premium of ₹ 31,000 is paid by otherwise than by cash. The deduction would be restricted to ₹ 30,000, since Mr. Chaturvedi is a senior citizen)	30,000	
Under section 80G (See Notes 1 & 2 below) Under section 80TTA (See Note 3 below)	19,662 10,000	1,99,662
Total income (excluding long term capital gains)		3,73,578
Total income (including long term capital gains)		6,18,578
Total income (rounded off)		6,18,580
Tax on total income (including long-term capital gains of ₹ 2,45,000)		
LTCG ₹ 2,45,000 x 20%		49,000
Balance total income ₹ 3,73,580		3,679
		52,679

Particulars Particulars	₹	₹
Add: Education cess @2% and Secondary and higher education cess @1%		1,580
Total tax liability		54,259
Total tax liability (rounded off)		54,260

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 & 80TTA	1,80,000
	3,93,240
10% of the above	39,324
Contribution made	50,000
Lower of the two eligible for deduction under section 80G	39,324
Deduction under section 80G – 50% of ₹ 39,324	19,662

- **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 ₹ 10,000 under section 80TTA is allowed, inter alia, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank.

Question 4

Mr. Rajmohan whose gross total income was ₹ 6,40,000 for the financial year 2017-18 furnishes you the following information:

- (i) Stamp duty paid on acquisition of residential house (self-occupied) ₹ 50,000.
- (ii) Five year time deposit in an account under Post Office Time Deposit Rules, 1981 ₹ 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 2018-19.

Answer

Computation of total income of Mr. Rajmohan for the A.Y.2018-19

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

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 Assessment year 2018-19 of Ms. Roma, who has a gross total income of $\stackrel{?}{\sim}$ 15,00,000 for the assessment year 2018-19 and provides the following information about her investments/payments during the year 2017-18:

Sl. No.	Particulars Particulars	Amount (₹)
1.	Life Insurance premium paid (Policy taken on 01-01-2012 and sum assured is ₹ 1,50,000)	35,000
<i>2</i> .	Public Provident Fund contribution	1,50,000
<i>3</i> .	Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000

Sl. No.	Particulars Particulars	Amount (₹)
4.	Payment to L.I.C. Pension Fund	1,40,000
5.	Mediclaim Policy taken for self, wife and dependent children, premium paid by cheque	30,000
6.	Medical Insurance premium paid by cheque for parents (Senior Citizen)	32,000

Answer

Computation of eligible deduction under Chapter VI-A of Ms. Roma for A.Y. 2018-19

Particulars Particulars	₹	₹
Deduction under section 80C		
 Life insurance premium paid ₹ 35,000 (deduction restricted to 20% of the sum assured since the policy was taken before 1.4.2012) ₹ 1,50,000 x 20% 	30,000	
- Public Provident Fund	1,50,000	
- Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000	
	2,00,000	
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 ₹ 32,000 for parents, being senior citizen, restricted to	30,000	55,000
Eligible deduction under Chapter VI-A		2,05,000

	LET US RECAPITULATE					
	Deductions in respect of payments					
Section	Eligible Assessee	Eligible Payments	Permissible Deduction			
80C	Individual or HUF	Contribution to PPF, Payment of LIC premium, etc. Sums paid or deposited in the previous year - Life insurance premium paid - Contribution to PPF, SPF, RPF and superannuation fund - Repayment of housing loan	₹ 1,50,000			
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.	₹ 1,50,000 Section80CCE. Maximum permissible deduction u/s 80C, 80CCC & 80CCD(1) is ₹ 1,50,000			
80CCD	Individuals employed by the Central Government or any other employer as well as selfemployed individuals. 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 employer or any other assessee, being an individual, who has paid or deposited an amount in his account under notified pension scheme.		Employee's Contribution/Individual' Contribution In case of a salaried individual, deduction of own contribution under section 80CCD(1) is restricted to 10% of his salary. In any other case, deduction under section 80CCD(1) is restricted to 20% of gross total income.			
			Further, additional deduction of upto ₹ 50,000 is available under section 80CCD(1B).			

				Employer's Contribution The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution under section 80CCD(2) would be restricted to 10% of salary. However, the limit ₹ 1.50 lakh under section 80CCE does not apply to deduction under section 80CCD(2) and 80CCD(1B).
80DD	Resident Individual or HUF	Maintenance including medical treatment of a dependent disabled Any amount incurred for the medical treatment, training and rehabilitation of a dependent disabled and / or Any amount paid or deposited under the scheme framed in this behalf by the LIC or any other insurer or Administrator		Flat deduction of ₹ 75,000. In case of severe disability (i.e. person with 80% or more disability) the flat deduction shall be ₹ 1,25,000.
80DDB	Resident Individual or HUF	or Specified Deduction f treatment o diseases or a Amount paid diseases or a In case the assessee is an individual In case the assessee is an individual	or medical f specified ailments I for specified	Actual sum paid or ₹ 40,000 (₹ 60,000, if the payment is for medical treatment of a senior citizen and ₹ 80,000, if the payment is for medical treatment of a very senior citizen), whichever is less, minus the amount reimbursed from the insurance company or the employer.

80E	Individual	Interest on loan taken for higher education Interest on loan should be 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.		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.
80D	Individual and HUF	Medical Insurance Premium 1. Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of — in case of an self,spouse and dependent children in case of family member 2. Contribution to CGHS of such other scheme as notified by Central Government.		Maximum ₹ 25,000 (₹ 30,000, in case the individual or his or her spouse is a senior citizen)
		cash, to kee insurance o of parents, not depend individual. 4. Payment, in cash payment preventive up of hims	han by way of hep in force an in the health whether or lent on the necluding	Maximum ₹ 25,000 (₹ 30,000, in case either or both of the parents are senior citizen) Maximum ₹ 5,000, in aggregate (subject to the overall individual limits of ₹ 25,000/ ₹ 30,000, as the case may be)

80EE	Individuals	Additional deduction for interest on loan borrowed for acquisition of self-occupied house property by an individual (over and above the deduction of ₹ 2 lakhs under section 24)	Additional deduction of upto ₹ 50,000 would be allowed in respect of interest on loan taken from a financial institution. Conditions: (1) Loan should be sanctioned during P.Y. 2016-17 (2) Loan sanctioned ≤ ₹ 35 lakhs (3) Value of house ≤ ₹ 50 lakhs (4) The assessee should not own any residential house on the date of sanction of loan.	
80G	All assessees	Donations to certain funds, charitable institutions etc. Prime Minister's National Relief Fund, Prime Minister's Drought Relief Fund, National Children's Fund, Rajiv Gandhi Foundation, Government or any approved local authority, institution for promotion of family planning Certain funds/institutions etc. Qualifying amount is calculated as follows: Step 1: Compute adjusted total income, i.e., the gross	There are four categories of deductions – (1) 100% deduction of amount donated, without any qualifying limit (2) 50% deduction of amount donated, without any qualifying limit (3) 100% deduction of amount donated, subject to qualifying limit	
		total income as reduced by the following: 1. Deductions under Chapter VI-A, except under section 80G 2. Short term capital gains taxable under section 111A	(4) 50% deduction of amount donated, subject to qualifying limit. No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash.	
		3. Long term capital gains taxable under section 112		

		Stan 2: Calculate 100/ of	
		Step 2: Calculate 10% of adjusted total income.	
		Step 3: Calculate the actual	
		donation, which is subject to	
		qualifying limit	
		Step 4: Lower of Step 2	
		or Step 3 is the maximum	
		permissible deduction.	
		Step 5: The said deduction	
		is given first for donations	
		qualifying for 100% deduction	
		and thereafter, the balance for	
		donations qualifying for 50%	
		deduction.	
80GG	Individual	Rent paid	No deduction if any
	not in	Least of the following is	residential accommodation is
	receipt of	allowable as deduction:	owned by the assessee or his
	house rent	(1) 25% of total income;	spouse or his minor child or
	allowance	(2) Rent paid – 10% of total	his HUF at the place where he
		income	ordinarily resides or performs
		(3) ₹ 5,000 p.m.	the duties of his office or
			employment or carries on his
			business or profession.
80GGB	Indian	Contributions to political	Actual contribution
	company	parties	(otherwise than by way of
		Any sum contributed by it to	cash)
		a political party or an electoral	
		trust.	
80GGC	Any person,	Contributions to political	Actual contribution
	other	parties	(otherwise than by way of
	than local	Amount contributed to a	cash)
	authority and	political party or an electoral	
	an artificial	trust.	
	juridical		
	person funded		
	by the		
	Government.		
	Joverninent.		

Deductions in respect of Certain Incomes							
Section	Eligible Assessee	Eligible Income	Permissible Deduction				
80QQB	Resident individual	Royalty income, etc., of authors of certain books other than text books Lump sum consideration for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or of royalty or copyright fees Royalty or copyright fee received otherwise than by way of lump sum	Amount received or receivable or ₹ 3,00,000, whichever is less. Maximum 15% of value of books sold				
80RRB	Resident individual, being a patentee	Royalty on patents Any income by way of royalty on patents	Whole of such income or ₹ 3,00,000,whichever is less.				
		Deductions in respect of Other	Income				
80TTA	Individual or a HUF	Interest on deposits in savings account Any income by way of 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.				
		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.	₹ 75,000, in case of a person with disability. ₹ 1,25,000, in case of a person with severe disability (80% or more disability).				

── ··· TEST YOUR KNOWLEDGE

- 1. Mr. Srivastav, aged 72 years, paid medical insurance premium of ₹ 32,000 by cheque and ₹ 4,000 by cash during May, 2017 under a Medical Insurance Scheme of the General Insurance Corporation. The above sum was paid for insurance of his own health. He would be entitled to a deduction under section 80D of a sum of -
 - (a) ₹ 25,000
 - (b) ₹ 30,000
 - (c) ₹ 20,000
 - (d) ₹ 36,000
- 2. Mr. Ramesh pays a rent of ₹ 5,000 per month. His total income is ₹ 2,80,000 (i.e. Gross Total Income as reduced by deductions under Chapter VI-A except section 80GG). He is also in receipt of HRA. He would be eligible for a deduction under section 80GG of an amount of -
 - (a) ₹ 60,000
 - (b) ₹ 32,000
 - (c) ₹ 70,000
 - (d) Nil
- 3. The deduction under section 80QQB in respect of royalty income of authors of certain books is subject to a maximum limit of -
 - (a) ₹ 1,00,000
 - (b) ₹ 3,00,000
 - (c) ₹ 5,00,000
 - (d) ₹ 2,00,000
- 4. Under section 80GGB, deduction is allowable in respect of contribution to political parties by -
 - (a) any person other than local authority and every artificial juridical person wholly or partly funded by the Government
 - (b) Local authority and every artificial juridical person wholly or partly funded by the Government
 - (c) An Indian company
 - (d) Any assessee
- 5. As per section 80CCE, ₹ 1.5 lakh is the maximum qualifying limit for deduction under -
 - (a) Section 80C and 80CCD.

- (b) Sections 80CCC and 80CCD
- (c) Sections 80C, 80CCC and 80CCD(1)
- (d) Sections 80C, 80CCC and 80CCD
- 6. Deduction u/s 80C in respect of LIP, Contribution to provident fund, etc. is allowed to:
 - (a) Anyassessee
 - (b) an individual
 - (c) An individual of HUF
 - (d) An individual or HUF who is resident in India
- 7. An assessee has paid life insurance premium of ₹ 25,000 during the previous year for a policyof ₹ 1,00,000 taken on 1.4.2015.He shall:
 - (a) not be allowed deduction u/s 80C
 - (b) be allowed deduction of ₹ 20,000 u/s 80C
 - (c) be allowed deduction of ₹ 25,000 under section 80C
 - (d) be allowed deduction of ₹ 10,000 u/s 80C
- 8. The payment for Insurance premium under section 80D should be paid:
 - (a) in cash
 - (b) by any mode other than cash
 - (c) cash/by cheque
 - (d) through account payee cheque/ account payee bank draft
- 9. The maximum deduction allowable under section 80EE for A.Y. 2018-19 is -
 - (a) ₹ 50,000
 - *(b)* ₹ 2,50,000
 - (c) ₹ 1,00,000
 - (d) ₹ 1,50,000
- 10. The maximum amount which can be donated in cash for claiming deduction under section 80G is
 - (a) ₹ 5,000
 - *(b)* ₹ 10,000
 - (c) ₹ 1,000
 - (d) ₹ 2,000
- 11. Mr. Abhik, an individual, made payment of health insurance premium to GIC in an approved scheme. Premium paid on his health is ₹20,000 and his spouse's health is ₹ 15,000 during the year 2017-18. He also paid health insurance premium of

₹ 35,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made by cash. Compute the amount of deduction under section 80D available to Mr. Abhik from his gross total income for the assessment year 2018-19.

- 12. Mr. Chaturvedi having gross total income of ₹ 6,35,000 for the financial year 2017-18 furnishes you the following information:
 - (a) Deposited ₹ 50,000 in tax saver deposit in the name of major son in a nationalized bank.
 - (b) Paid ₹ 25,000 towards premium on life insurance policy of his married daughter (Sum Assured ₹ 2,50,000). The policy was taken on 01.05.2012.
 - (c) Contributed ₹ 10,000 to Prime Minister's National Relief Fund.
 - (d) Donated ₹ 20,000 to a Government recognized institution for scientific research by a cheque.

Note: Assume that the gross total income of Mr. Chaturvedi comprises of only income under the head 'Salaries' and 'Income from house property'.

Compute the total income of Mr. Chaturvedi for the assessment year 2018-19.

13. The gross total income of Mr. Nepal for the Assessment Year 2018-19, was ₹ 12,00,000. He has made the following investment/payments during the previous year 2017-18-

	Particulars Particulars	₹
1.	L.I.C. premium paid (Policy value ₹ 1,00,000) (taken on 1.03.2012)	25,000
2.	Contribution to Public Provident Fund (PPF)	70,000
3.	Repayment of housing loan to Indian Bank	50,000
4.	Payment made to L.I.C. pension fund	20,000
5.	Medical insurance premium for self, wife and dependent children.	28,000
6.	Mediclaim premium for parents (aged over 80 years)	32,000

Compute eligible deduction under Chapter VI-A for the Assessment Year 2018-19.

Answers

1. (b) 2. (d) 3. (b) 4. (c) **5**. (c) 6. (d) **7.** (d) 8. (b) 9. 10. (d) (a) **11.** ₹ 55,000; **12.** ₹ 5,80,000; **13.** ₹ 2,05,000;