

DEDUCTIONS FROM GROSS TOTAL INCOME

GENERAL PROVISIONS OF DEDUCTIONS

1) Deductions to be made in computing total income [Section 80A]:

(i) **Deductions to be made** : 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 [Section 80A(1)].



(ii) Deductions cannot exceed GTI: The aggregate amount of the deductions 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(2)].

2) **Deductions are not admissible from certain incomes:** No deduction under chapter VI-A is allowed from the following incomes-

- i) Long term capital gains referred under section 112,
- ii) Short term capital gains referred under section 111A,
- iii) Winning from lotteries, races, etc. as referred to in section 115B,
- iv) Income referred to in sections 115A(1)(a), 115ACA, 115AD, 115BBA, 115BBD, 115BBE and 115D.

GROSS TOTAL INCOME (sec. 80B)

“Gross Total Income” means the total income computed in accordance with the provisions of Income Tax Act, before making any deduction under this chapter – **Sec. 80B.**



Exemption u/s 10 v. Deduction under Chapter VI-A

Sec. 10 falls under Chapter III of the Income Tax Act,. Chapter III lists out items of income which do not form part of total income, thus, exempting such income such fully or partially from tax liability. Items of income Which gets exempted u/s. 10 shall not form part of any head of income of an assessee. On the other hand, Chapter VI- A provides for deduction in respect of certain specified contributions/ income which are already part of one or more heads of income. From the aggregate of taxable income computed in respect of particular head(s) of income (Gross total income), a deduction has been provided for certain specified income. Therefore, Sec. 10 provides for exemption of income whereas, Chapter VI-A provides for deduction of income.

Prescribed investments [Sec.130C]

Applicability	Individual / HUF, irrespective of Residential Status.
Conditions	a) Investment or Contribution should be made in approved investment schemes. b) The payments need not necessarily be made out of income chargeable to tax. c) Deduction shall be allowed only on payment basis not on accrual basis.
Maximum deduction	Maximum deduction along with the deduction u/s 80CCC and 80CCD(1) or independently u/s 80C is restricted to Rs. 1,50,000 [sec. 80CCE]
Eligible investments	See list below

Eligible Investments u/s 80C

Nature of Investment / Payment	Payments made by	
	Individual	HUF
<p>Life Insurance Premium [Max. Premium deductible = 10% of Actual Sum Assured [15% for persons covered u/s 80U/80DDB] [See Note 1] Note: 20% Limit (instead of 10% for Policies issued upto 31.03.2012)</p> 	Self, Spouse, child	Any Member
<p>Non-Commutable Deferred Annuity without a provision for Cash Payment in Self, Spouse, lieu of Deferred Annuity</p> 	Self, Spouse, child	NA

Deferred Annuity deducted from Government Employee's Salary (not exceeding 1/15th of Salary).	self	NA
Contribution to Statutory or Recognized Provident Fund.	self	NA
Contribution to Public Provident Fund - Minimum Rs. 500, Maximum Rs. 1,50,000 per Account as per PPF Rules.	Self, Spouse, child	Any Member
Contribution to approved superannuation fund.	self	NA
Subscription to national saving scheme, 1992	self	NA
Subscription to notified central government securities or notified deposit scheme, Sukanya Samridhhi Account has been notified vide notification 9/2015. W.e.f., AY 2016-17 for this clause, child includes Girl child for whom such person is the legal guardian, if the scheme so specifies.	Self, [w.e.f. AY 2016-17], spouse, child	Any Member
Subscription to National Savings Certificate (including Interest Accrued).	self	NA
Contribution to Unit Linked Insurance Plan of UTI LIC and continuous for minimum period of 5 years. [see note 2]	Self, Spouse, child	Any Member
Contribution to Annuity Plans of Insurance Companies (jeevan Dhara, jeevan Akshay, of UC, Plans of Tata AIG life insurance co. etc)	Self, Spouse, child	Any Member
Subscription to Units of Mutual Funds I UTI.	Self	NA
Contribution to Pension Fund of Mutual Fund / UTI / National Housing Bank.	Self	NA
Deposits with National Housing	Self	NA

Bank, HUDCO		
Deposits with a PSU providing long term finance for purchase / construction of Residential Houses in India.	Self	NA
Deposits with notified Housing Boards set up under law, for planning, developing and improvement of cities / towns / villages.	Self	NA
Tuition fees paid to University, College, School or Educational Institution located in India for full time education of children, other than donation or development fees.	Maximum Two Children	NA
Housing Loan / Cost [See Note 4, 5]	Self	NA
Subscription to approved Equity Shares or Debentures of a Public Company or a Public Financial Institution, and the entire proceeds of the issue is utilized wholly and exclusively for Power Generation or Infrastructure Facility Company [Holding Period minimum 3 years.]	Self	NA
Term Deposit for at least 5 Years with a Scheduled Bank in accordance with a Scheme framed and notified by Central Government. [Note 3]	Self	NA
Subscription to notified NABARD Bonds	Self	NA
Deposit under Senior Citizens Savings Scheme Rules, 2004 [Note 3]	Self	NA
5-Year Time Deposit in an account under Post Office Time Deposit Rules, 1981	Self	NA

Notes:**1. LIC Premium on Life or Endowment Policies:**

- (a) Restriction on Surrender: The policy should not be surrendered –
- i. Within 2 years, in case of single policy, or
 - ii. Before payment of premium for 2 years, in case of other policies.

- (b) Deemed Income: In case of non-compliance with the above, the deduction so claimed will be treated as Income of the previous year of default.

2. Unit Linked Insurance Plan:

- (a) Participation Period: The Assessee Member should not terminate his participation in the ULIP Scheme making contribution for 5 years.
- (b) Deemed Income: If the Assessee has terminated the Scheme within 5 years of contribution, then
- No deduction shall be allowed in respect of contributions made during the year of termination.
 - The aggregate of deductions availed earlier in respect of the plan shall be deemed to be the Income Assessee, in the year of termination.

3. Withdrawals from Senior Citizen Savings Scheme and 5 year Term Deposits:

- (a) Deemed Income: If any amount, including accrued interest is withdrawn by the Assessee from his account the expiry of 5 years from the date of its deposit, the amount so withdrawn shall be deemed to be the In the Assessee shall be liable to tax in the year of withdrawal.
- (b) **Exceptions:**
- Any amount of interest, relating to deposits which has been included in the Total Income of the As the previous year or in preceding previous years, and
 - Any amount received by the Nominee or Legal Heir of the Assessee, on the death of the Assessee, interest accrued, which was not included in the Total Income of the Assessee for the previous year or preceding previous years.

4. Repayment of Housing Loan:

- (a) Residential Purpose: House constructed or purchased out of loan roust be for residential purposes.
- (b) Chargeable under HP: The Income from such property should be chargeable under the head "I House Property", and includes self-occupied property also.
- (c) Restriction on Transfer: The Assessee should not transfer the house for 5 years.
- (d) Deemed Income: If Assessee transfers the property within 5 years of construction / acquisition, then –
- No deduction shall be allowed in respect of repayments made during the year of termination,
 - The aggregate of deductions availed earlier in respect of such repayment of installments shall be deemed income of the Assessee, in the year of transfer of property.

5. Cost of Purchase / Construction of Residential House Property**A. AMOUNTS QUALIFYING FOR DEDUCTION:**

1. *Stamp Duty*, Registration Fee and other expenses for the purpose of transfer of the Residential property to the assessee.
2. *Installment or part payment of the amount due under any self-financing or other scheme of -*
 - (a) Any Development Authority,
 - (b) Housing Board, or
 - (c) Other Authority engaged in the construction and sale of house property on ownership basis.
3. *Installment or Part Payment* of the amount due to any Company or Co-Operative Society of which the Assessee is a Shareholder or a Member, towards the cost of the property allotted to the Assessee.
4. *Repayment of Loan borrowed from -*
 - a) Central Government / State Government,
 - b) Any Bank, including Co-Operative Bank,
 - c) Life Insurance Corporation of India,
 - d) National Housing Bank,
 - e) Public Company formed with the object of providing long term finance for construction / purchase of Residential Houses in India,
 - f) Co-operative Societies / Companies in which public are substantially interested, engaged in the business of financing construction of houses,
 - g) Assessee's Employer being - (i) Public Company, or (ii) Public Sector Company, (iii) University established by Law, (iv) College affiliated to such University, (v) Local Authority, (vi) Co-Operative Society.
 - h) Housing Loans availed from Employers, being an Authority, Board or Corporation or any other Body established under Central or State Act.

B. AMOUNTS NOT QUALIFYING FOR DEDUCTION:

1. **Admission / Membership Fees:** Amount paid by a Shareholder / Member towards Admission Fee, Initial Deposit, Cost of the Share to a Company / Co-operative Society, for becoming a Member of such Company / Society.
2. **Alteration / Repair Costs:** Cost of addition / alteration / renovation / repairs to House Property incurred after -
 - a) Issue of Completion Certificate in respect of the House Property by a Local Authority, or
 - b) The House Property (or part thereof) has been occupied by the Assessee, or
 - c) The House Property has been occupied by any other person on behalf of the Assessee.
3. **Payment by a Non-Member:** Installments paid by a Non-Member to a Company / Co-operative Society, towards property allotted to him by such Company / Co-operative Society.
4. **Deduction u/s 24:** Expenditures which are allowable u/s 24, i.e. Interest on Capital borrowed for construction / acquisition of house property, including Prior Period Interest.

Illustration - insurance Premium Deduction Ws 80C

Compute the eligible deduction u/s 80C for AN 2016-17 in respect of Life Insurance Premium paid by Ganesh during the P,Y 2015-16 the details of which are given below.

Solution:

Assessee – Mr. Ganesh

Previous Year: 2015-2016

Assessment Year: 2016-2017

	Date of issue of policy	Person Insured	Actual Capital Sum	Insurance Premium paid during PY	Restricted to % of sum assured	Deduction u/s 80C for A.Y. 2016-2017
1	01.04.2011	Self	2,00,000	50,000	20% (Note)	40,000
2	01.05.2014	Spouse	1,50,000	20,000	10%	15,000

Date of issue of policy	Person insured	Actual capital sum assured (Rs)	Insurance premium paid during 2015-16 (Rs)
01.04.2011	Self	2,00,000	50,000
01.05.2014	Spouse	1,50,000	20,000
01.06.2015	Handicapped Son (Sec.80U Disability)	3,00,000	60,000

3	01.06.2015	Handicapped Son (Sec.80U Disability)	3,00,000	60,000	15%	45,000
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Note: Policy dated 01.04.2011 is eligible for 20% limit of Capital Sum Assured, being the law prevalent on that date.

PENSION SCHEMES- (sec. 80CCC and sec 80CCD)

Section	80CCC	80CCD
Applicability	All Individuals, irrespective of Residential Status and Citizenship	(a) Individual employed by-(i) Central Government on or after 01.01.2004, or (ii) any other Employer (b) Any other Individual. (other than employee)
Nature of payment	Contribution to Annuity Plan of LIC or any Other Insurer, for receiving pension.	Contribution to Notified Pension Scheme
Contribution made by	Individual	Employee / Assessee as per 80CCD (1) / (16), Central Government (CG) / Employer as per 80CCD(2).
Deduction	Amount deposited subject to Maximum limits	Amount deposited subject to Maximum limits
Maximum amount of deduction	Independently u/s 80CCC - 1,50,000 Note: Overall Deduction u/s 80C, 80CCC and 80CCD(1)= 1,50,000. [Sec.80CCE]	If Contribution made by - (a) CG / Employer / Employee: 10% of Salary (b) Any other Individual- 10% of Gross

		<p>Total Income</p> <p>Note 1: Overall Deduction u/s 80C, 80CCC and 80CCD(I) = 1,50,000. [Sec. 80CCE]</p> <p>Note 2: For contribution made by Employee/ Assessee u/s 80CCD(1B), further deduction of Rs.50,000 is available in addition to the overall ceiling limit of 1,50,000</p>
Conditions	<p>(a) Fund should be specified u/s 10(23AAB)</p> <p>(b) It should be paid out of taxable income.</p> <p>(c) Interest / Bonus accrued or credited to Assessee's A/c is not a Contribution.</p> <p>(d) Contribution already claimed u/s 80CCC will not be eligible for 80C deduction.</p>	<p>(a) Such investment will not be eligible for deduction u/s 80C.</p> <p>(b) The Assessee shall be deemed not to have received any amount in the previous year, if such amount is used for purchasing an Annuity Plan in the same previous year.</p>
Taxability	<p>Income Taxable:</p> <p>(a) Amount received on account of surrender before maturity, and</p> <p>(b) Pension received from <u>Annuity Plan</u>.</p> <p>In hands of: Assessee or Nominee <u>Year of Taxability:</u> Year of receipt</p>	<p>Income Taxable:</p> <p>(a) Amount received on account of closure or opting of the scheme, and</p> <p>(b) Amount received as pension from the Annuity purchased or taken on such closure or opting out <u>Annuity Plan</u></p> <p>In hands of: Assessee or Nominee <u>Year of Taxability:</u> Year of receipt</p>

Sec. 80CCE

Section	Maximum deduction under relevant section prescribed	Cumulative maximum deduction
80C- Contributions to specified investments	Rs. 1,50,000	Overall deduction is restricted to Rs.1,50,000 by virtue of Sec. 80CCE
80CCC- Contributions to Certain pension funds	Rs. 1,50,000	
80CCD(1) – Employee's contribution towards a notified pension scheme	10% of salary*	
80CCD(1B) – Additional deduction towards contribution in a notified pension scheme by an assessee (whether in employment or not)	Rs. 50,000	No limit
80CCD(2)- Employer's contribution towards a notified pension scheme	10% of Salary	No limit

In case assessee claiming deduction u/s 80CCD(1) is self employed, then 10% of Gross Total Income is to be considered.



Sec. 80CCG - DEDUCTION IN RESPECT OF INVESTMENT MADE UNDER EQUITY SAVINGS SCHEME

Eligible assessee - Resident Individual.

Eligible investment—

- ✓ Listed equity shares; or
- ✓ Listed units of an equity oriented fund, in accordance with the Rajiv Gandhi Equity Savings Scheme.

Quantum of deduction - To the extent of 50% of the amount invested, subject to a maximum amount of Rs. 25,000. Such a deduction can be availed for 3 consecutive assessment years, beginning with the assessment year in which the listed equity shares or listed units of equity oriented fund were first acquired.

Conditions

- i) Gross total income of the assessee shall not exceed Rs. 12 lakhs;
- ii) The assessee is a new retail investor as may be specified under the scheme;
- iii) The investment is made in such listed equity shares or listed units of equity oriented fund as may be specified under the scheme; and
- iv) The investment is locked in for a period of 3 years from the date of acquisition.

If the assessee fails to comply with any of the above mentioned conditions, the deduction originally allowed shall be denied to be the income of the assessee and shall be taxed in the year of violation.

MEDICAL INSURANCE, ETC. [Sec.80D]

1. Applicability: individual or HUF, Resident or Non-Resident.

2. Deduction: Amount paid for the following—

- (a) Premium towards Medical Insurance Policy for own or Family, or
- (b) Contribution made to the Central Government Health Scheme, or
- (c) Payment on account of preventive health check—up, or
- (d) Contribution to any Scheme notified by Central Government in this behalf.
- (e) Medical Expenditure for Very Senior Citizens



(Note: Deduction in respect of Point No. (b) & (c) are not available for a HUF)

3. Maximum Amount of Deduction:

Assessment year		
Individual; Aggregate of Premium or Contribution —	• In the name of the Individual / Spouse / Dependent Child	25,000
	• In the name of the Parents	25,000
	HUF: Policy in the name of any Member	25,000

Note-

- (a) If the deduction is claimed for Senior Citizen / Very Senior Citizen, the maximum deduction is 30,000.

- (b) "**Senior Citizen**" means Resident Individual who is of the **age of 60 years or more**, at any time during the previous year
- (c) "**Very Senior Citizen**" means Resident Individual who is of the **age of 80 years or more**, at any time during the previous year.

4.Preventive Health Checkup

Expenditure for Preventive Health Checkup of the Assessee or his family is above. The said payment can also be made in cash and is included in the total deduction of 15,000 / 7 20,000 to a maximum of 5,000,

Medical Expenditure for Very Senior Citizens w.e.f. AY 2016-17

- **Situation:** Very Senior Citizens on whom. Health Insurance not eligible / paid.
- **Amount:** Medical Expenditure incurred on the health of Assessee, Any Member of his Family, or any Parent of Assessee, or any Member of HUF. Max. ? 30,000.
- **Restriction:** The Aggregate of deduction including medical expenditure for Very Senior Citizen shall not exceed 30,000.
- **Conditions:**
 - a) Mode of payment

Details	Mode of payment
• Medical Insurance, Health Scheme Contribution, Medical Expenditure for Very Senior Citizen	Any mode other than cash
• Preventive Health Check up	Any mode including cash

- b) Payment shall be made out of income chargeable to tax.
- c) Insurance shall be as per the scheme made by -
 - GIC, and approved by the Central Government or
 - Any other Insurer, and approved by IRDA.

THE FOLLOWING TABLE SUMMARIZED THE DEDUCTION ALLOWABLE U/S 80D:

Description	Amount paid in respect of		Total deduction
	Self, spouse & dependent children	Parents dependent or not	
In respect of mediclaim premium and preventive health checkup			
No one attained the age of 60 years	Rs. 25,000	Rs. 25,000	Rs. 50,000
Assessee and family less than 60 years of age and parent is a senior citizen or very senior citizen	Rs. 25,000	Rs. 30,000	Rs. 55,000
Assessee and the parent attained the age of 80 years	Rs. 30,000	Rs. 30,000	Rs. 60,000

In respect of medical expenditure incurred for a very senior citizen			
Assessee and family less than 80 years of age and parent is a very senior citizen	Nil	Rs. 30,000	Rs. 30,000
Assessee and the parent attained the age of 80 years	Rs. 30,000	Rs. 30,000	Rs. 60,000
Maximum cumulative deduction under a and b above	Rs. 30,000	Rs. 30,000	Rs. 60,000

Illustration

Mr. Praveen, aged 50 years furnishes the following information relating to premium on mediclaim policy paid by cheque for the year ending 31.03.2016:

for self - Rs. 10,000; b) for spouse, aged 48 years - Rs. 9,000; c) for dependant mother, aged 70 years - Rs. 7,000; d) for dependant mother-in law, aged 62 years - Rs. 5,000; e) cash paid for preventive health check up of self and spouse - Rs. 6,000; f) medical expenditure for dependant father, aged 82 years - Rs. 30,000

Compute the deduction u/s. 80D. Would your answer be different, in case the premium was paid in cash?

Solution:

Computation of deduction u/s. 80D in the hands of Mr. Praveen AY 2016-17

Particulars	Amount paid	Eligibility	Deduction allowed
a) For Individual and his family			
Self mediclaim premium	10,000	Yes	10,000
Spouse - mediclaim premium	9,000	Yes	9,000
Self & spouse - preventive health check up	6,000	Yes but restricted to Rs. 5,000	5,000
Total	25,000		24,000
b) for parents			
Dependent mother mediclaim premium	7,000	Yes	7,000
Father - medical expenditure	30,000	Yes	23,000
Total	37,000		30,000

Note-

- i) Rs. 5,000 paid for dependent mother in law is not allowable, since the definition of the term "family" does not include mother in law
- ii) Sec. 80D warrants payment of premium on health insurance made by any mode other than cash. In case the payment made by cash, amount paid cannot be availed as deduction. However, payment made by preventive check up of Rs. 5,000 shall be allowed even if the same is made by cash.



EXPENDITURE INCURRED FOR DEPENDENT WITH DISABILITY [Sec.80DD]

Applicability	Individual or HUF, resident in India.
Nature of Expenditure	<p>(a) Expenditure incurred for medical treatment, nursing, training and rehabilitation of dependent being a person with disability,</p> <p>(b) Amount deposited in Approved Scheme of LIC UTI or other Approved Insurer, which provides for payment of recurring or lump sum amount for the benefit of the dependent after the demise of the Assessee.</p> <p>Note: The following points apply for Item (b) above -</p> <ul style="list-style-type: none"> • Subscription shall be made in the name of the Assessee. The Nomination shall be either in the name of the dependent or any other person on his behalf. • If the handicapped dependent pre--deceases the Assessee, amount paid or deposited will be treated as Income of the previous year in which it is received by the Assessee.
Amount of Deduction	<p>(a) General: A fixed deduction of Z 75,000 is allowed, irrespective of expenditure incurred / amount paid.</p> <p>(b) Special: If the Dependent is a person with "severe disability", deduction is 1,25,000. Severe Disability has the same meaning as in Sec.80U.</p>
Certificate	Same conditions as in Sec.80U.

Note: dependent means-

If assessee is	Dependent means	Conditions
Individual	Spouse, Children, Parents, Brothers & Sisters of the Individual, or any of them	<ul style="list-style-type: none"> • Wholly or mainly dependent on the Assessee for his support and maintenance, and • Has not claimed deduction u/s 80U In computing his Total Income
HUF	Any member of HUF	

Illustration- Maintenance of handicapped son

Sri submits the following information regarding his income for Previous Year 2015-2016

(a) Salary (Per Month)	25,000
(b) Rent received from property in Delhi (Per Month)	5,000
(c) Winnings from Lottery (Gross)	30,000
Contribution towards PPF	15,000
Premium paid in cash on Mediclaim policy for his dependent father	4,000

He has a handicapped son, dependent on him, for whom he incurs Rs. 20,000 as expenses for his medical treatment and rehabilitation. He also deposits a sum of Rs. 25,000 for the benefit of his son under a scheme framed by the UTI for such a purpose. Compute his Total Income and determine tax liability for tie Assessment Year 2016-2017.

Solution:

Assessee- Sri

PY- 2015-2016

AY-2016-17

Computation of tax income and tax payable

Particulars	Rs.	Rs.
Salaries: Basic Salary (25,000 *12 Months)		3,00,000
Income from House Property: Net Annual Value = Rent received (5,000 x 12 Months)	60,000	
Less: Deduction u/s 24 = 30% of NAV (60,000 x 30%)	(18,000)	42,000
Income from Other Sources: Winnings from Lotteries		30,000
Gross Total Income		372,000
Less Deduction under Chapter VI-A U/s 80C: PPF Contribution	15,000	
U/s 80D: Medical Insurance Premium Paid - Payment made in Cash - not allowed	Nil	
U/s 80D: Medical Expenditure on Handicapped Dependent	75,000	(90,000)
Total Income		2,82,000
Tax on Total Income Lottery Income chargeable at Special Rates (30,000 . 30%)	9,000	
Tax at Normal Rates: 2,82,000 - 30,000 = [2,52,000 - 2,50,000] x 10%	200	9,200
Less Rebate u/s 87A		(2,000)
Tax Payable		7,200
Add Education Cess at 2%		144
Secondary and Higher Education Cess at 1%		74
Total Tax Payable (Rounded off)		7,420

Notes:

- Deduction u/s 80DD is allowed to an Individual or a HUF who are resident in India.
- Assumed that Assessee has obtained Certificate from the Medical Authority to qualify for deduction,
- When Total Income of Resident Individual does not exceed 5 Lakhs, Rebate u/s 87A = 100% of Tax Payable or 2,000 whichever is less.

MEDICAL TREATMENT [Sec.80DDB]1. **Applicability:** Individual or HUF, resident In India.2. **Nature of Expenditure:** Expenditure incurred for medical treatment of specified diseases as under-

If Assessee is -	Medical Treatment for
Individual	Himself or a Dependent
HUF	Any Member of HUF



3. Dependent:

If assessee is	Dependent means	Conditions
Individual	Spouse, Children, Parents, Brothers & Sisters of the Individual, or any of them	Wholly or mainly dependent on the Assessee for his support and maintenance.
HUF	Any member of HUF	

4. Specified Diseases as per Rule 11DD:

- ✓ Neurological Diseases,
- ✓ Cancer,
- ✓ AIDS,
- ✓ Chronic Renal Failure,
- ✓ Haemophilia, and
- ✓ Thalassaemia.

5. Amount of Deduction:

- (a) General: 40,000 or amount actually paid, whichever is lower.
- (b) Expenditure incurred for Senior Citizen: 60,000 or amount actually paid, whichever is lower.
[**Note**: Senior Citizen means any Individual Resident in India who is of the age of 60 years or more at any time during the Previous Year.]
- (c) Expenditure incurred for very Senior Citizen: 80,000 or Amount paid whichever is lower.

6. Conditions:

Deduction shall be reduced by the amount received from the Insurer or reimbursement by the Employer, against any insurance for the Medical Treatment.

W.e.f. AY 2016-17 Assessee shall obtain the prescription for such medical treatment from a Neurologist / Oncologist / Urologist / Hematologist / Immunologist / other Prescribed Specialist.

**INTEREST ON EDUCATIONAL LOAN [Sec.80E]**

- 1. Applicability:** Individual.
- 2. Nature of Expenditure:** Payment of Interest on Educational Loan taken from Financial Institution or approved Charitable Institution for the purpose of pursuing Higher Education for himself or for his relative, i.e. Spouse and Children of the individual
Note: Student for whom the Individual is the Legal Guardian is also eligible.
Notified / Approved Institution: Credila Financial Services Pvt. Ltd.
- 3. Amount of Deduction:** Any amount of interest paid is eligible for deduction. Principal Repayment is eligible for deduction.
- 4. Conditions:**
 - (a) Period: Deduction is available for a maximum period of 8 assessment years, including first year of repayment until the interest is fully repaid, whichever is earlier.
 - (b) Payment from Taxable Income: Payment should be made out of income chargeable to tax.
 - (c) Meaning of Higher Education: Higher Education means any course (including Vocational Studies) pursued passing the Senior Secondary Examination, conducted by any Board or University recognized by Government or State Government or Local Authority or any other Authority authorized by Central or Government.

INTEREST ON LOAN FOR SPECIFIED HOUSE PROPERTY [Sec.80EE]



- 1) **Applicability:** Individual
- 2) **Nature of Expenditure:** Payment of Interest on Loan taken by Individual Assessee from any Financial Institute the purpose of acquisition of a Residential House Property.
- 3) **Amount of Deduction:**
 - (a) Maximum Amount: Interest Payable amount shall not exceed Rs.1,00,000.
 - (b) Period: Deduction is available for AY 2014-2015. If the Interest Payable for the Previous Year 2013-2014 (2014-2015) is less than 1,00,000, the balance amount shall be allowed in AY 2015-2016.
- 4) **Conditions:**
 - (a) Loan Sanction Date: Loan should be sanctioned by the Financial Institution during the period beginning April 2013 and ending on 31st March 2014.
 - (b) Maximum Loan: The Amount of Loan sanctioned for acquisition of the Residential House Property does not exceed 25 Lakhs.
 - (c) Property Value: Value of the Residential House Property should not exceed 40 Lakhs.
 - (d) Payment from Taxable Income: Payment should be made out of Income chargeable to tax.
 - (e) No Other House: The Assessee should not own any Residential House Property on the date of sanction of the loan.
 - (f) No Double Deduction: Where deduction under u/s 80EE is allowed, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other Assessment Year.
- 5) **Relevant Terms:**
 - (a) "Financial Institution" means a Banking Company to which the Banking Regulation Act, 1949 applies, any Bank or Banking Institution referred u/s 51 of that Act, or a Housing Finance Company.
 - (b) "Housing Finance Company" means a Public Company formed or registered in India with the main carrying on the business of providing long-term finance for construction or purchase of houses in residential purposes.

DONATIONS TO APPROVED FUNDS / CHARITABLE INSTITUTIONS [S.80G]

1. **Eligible Contributions:** Assessee is entitled to deduction u/s 80G if they have contributed to or do Approved Funds and Charitable Institutions. The deduction u/s 80G can be claimed whether or not it has nexus with the business of the Assessee.
2. **Conditions:** The conditions to be fulfilled are -
 - (a) Donation should be made in sum of money and not in kind. [Rama Verma 187 ITR 308 (SC)]
 - (b) The Assessee should produce proof of payment along with the Return of Income.
 - (c) No deduction shall be allowed in respect of donation of any sum exceeding 10,000, unless such sum is in any mode other than cash.



Donation from earlier years / exempt income	Donations made out of earlier year income or out of income exempt from tax are for deduction u/s 80G. [Cir.: F.No.45/313/66-1T](61)/ 2.12.19661
Donation to Religious Trust	Donations paid to Trust, which is subsidiary for religious purpose not allowable u/s [Upper Ganges Sugar Mills Ltd 227 ITR 578 (SC)]

3. Categories of Deduction: The deduction u/s 80G is available In the following categories –

- | |
|---|
| <p>A. 100% Deduction, with No Ceiling Limit / Restriction on amount of Donation</p> <p>B. 50% Deduction, with No Ceiling Limit / Restriction on amount of Donation</p> <p>C. 100% Deduction, with Qualifying Amount = 10% of Adjusted Gross Total Income</p> <p>D. 50% Deduction, with Qualifying Amount = 10% of Adjusted Gross Total Income</p> |
|---|

A. 100% Deduction, with No Ceiling Limit on Donation:

Deductions is available at 100 % of the amount do the following Funds / Institutions –

<p>1) National Defense Fund</p> <p>2) Prime Minister's National Relief Fund</p> <p>3) Prime Minister's Armenia Earthquake Relief Fund</p> <p>4) Africa (Public Contributions) India Fund</p> <p>5) National Children's' Fund</p> <p>6) National Foundation for Communal Harmony</p> <p>7) Approved Universities/ Educational Institutions of National Eminence</p> <p>8) Maharashtra Chief Minister's Earthquake Relief Fund</p> <p>9) Zilha Saksharta Samithi of any district</p> <p>10) National / State Blood Transfusion Council 19.</p> <p>11) Any Fund set up by a State Govt. for providing medical relief to the poor</p>	<p>12) Army Central Welfare Fund, Air Force Central Fund or Indian Naval Benevolent Fund</p> <p>13) Andhra Pradesh Chief Minister's Cyclone relief fund</p> <p>14) National Illness Assistance Fund</p> <p>15) Chief Minister's / Lieutenant Governor's Relief fund for any State / Union Territory</p> <p>16) National Sports Fund</p> <p>17) National Cultural Fund</p> <p>18) Fund for Technology & Application set up by Central Government</p> <p>19) National Trust for welfare or persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities.</p> <p>20) Gujarat Earthquake Relief fund</p> <p>21) Swach Bharat Kosh set up by the Central Government (see note below)</p> <p>22) Clean Ganga Fund, set up by the Central Government, where such Assessee is a Resident (See Note below)</p> <p>23) w.e.f. 01.04.2016 The National Fund for Control of Drug Abuse constituted u/s 7A of the Narcotic Drugs & Psychotropic Substances Act, 1985.</p>
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Deduction is **not** available for sum spent by the Assessee in pursuance of Corporate Social Responsibility u/s 135(5) Companies Act, 2013.

Certificates for Donations made to PM's National Relief Fund, CMS Relief Fund or the Lieutenant Governor's Relief Fund shall by Drawing and Disbursing Officer (DDO)/ Employer in this behalf, Circular No.2/2005 dated 12.01.2005

B. 50% Deduction, with No Ceiling limit on Donation:

Donations to following funds will qualify for 50% of the amount donated

- ✓ Jawaharlal Nehru Memorial Fund
- ✓ Prime Minister's Drought Relief Fund
- ✓ Indira Gandhi Memorial Trust
- ✓ Rajiv Gandhi Foundation

C. 100% Deduction with Restriction on Amount of Donation:

The following Donations qualify for restricted deduction on 100% of the Qualifying Amount -

- (a) Donation for promoting family planning, paid to - (a) Government, or (b) Any approved Local Authority / Association / Institution.
- (b) Amount paid by a Company to the Indian Olympic Association or Notified Institution, for the development of infrastructure or sponsorship for sports and games in India.

D. 50% Deduction with Restriction on Amount of Donation:

The following Donations qualify for restricted deduction on 50% of the qualifying Amount -

1. Approved Institutions or Fund satisfying prescribed conditions. [Note: If an Institution incurs expenditure of Religious Nature not exceeding 5% of its Total Income, it is still considered to be for charitable purposes only.]
2. Donations for charitable purposes other than promoting Family Planning, paid to Government or any Local Authority,
3. An Authority constituted in India or under any other law enacted - (a) for dealing with and satisfying the need for housing accommodation, or (b) planning, development or improvement of cities, towns and villages, or (c) for both.
4. Any Authority or Corporation for the benefit of Minority Community [as per Sec. 10(26B)3].
5. Any notified Temple, Gurdwara, Mosque, Church or other notified place, for renovation / repair [Note: Such place should be notified - (a) to be of historic, archeological or artistic importance, or (b) to be a place of public worship or renown throughout any State(s).]

4. Computation of Adjusted GTI:

Step 1. Compute Adjusted Gross Total Income

Step 2. Gross Total Income

Less: (a) Long Term Capital Gain

(b) Short Term Capital Gain on Sale of Securities (on which STT has been paid) u/s 111A

(c) Other Deductions under Chapter VI-A excluding Sec. 80G

(d) Income on which Tax is not payable

Income u/s 115A, 115B, 115AC & 115AD, of Non-Resident Indians / Foreign Companies

Step 3. Compute 10% of Adjusted Gross Total Income.

Step 4. Compute Actual Donation made towards Funds / Institutions qualifying for restricted deduction.

Step 5. Maximum Permissible Donation or Qualifying Amount = Step 3 or Step 4, whichever is less.

Step 6. Amount of Deduction u/s 80G: Maximum Permissible Donation shall be given –

- First for deductions qualifying for 100% restricted deduction, and
- Balance towards donations qualifying for 50% restricted deduction.

5. Approved Institution / Fund Conditions:

Established in India	The Institution or Fund should be established in India.
Constitution:	The Institution or Fund should be - <ol style="list-style-type: none"> a) Constituted as a Public Charitable Trust, or b) Registered under the Societies Registration Act or Ws 25 of Companies Act, 1956 or u/s S Companies Act, 2013, or c) An University established by Law, or d) An Educational Institution - (i) recognized by the Government, or (ii) recognised University established by law, or (iii) affiliated to a University established by law, or e) Financed wholly or in part by the Government or a Local Authority.
Charitable Purpose & Objects	<ol style="list-style-type: none"> a) "Charitable Purpose" includes relief of the poor, education, medical relief, preservation of environment including watersheds, forests and wildlife, and preservation of monuments or places or objects of artistic or historic interest, and the advancement of any other object I general public utility. Note: An Association or Institution having as its object the control, supervision, regulation or encouragement in India, of notified Games or Sports, shall be deemed to be Institution established in India for charitable purpose. b) Charitable Purpose does not include any purpose, the whole or substantially the whole which is of a religious nature. Note: Sec.80G applies even if an amount not exceeding 5% of Total Income is applied expenditure of religious nature, by the Institution / Fund. c) No part of Income or Assets of the Institution or Fund should be transferable or applicable at any time for any purposes other than Charitable Purpose. The Institution or Fund should not be expressed to be for the benefit of any pa Religious Community or Caste,
Exempt Income	The Income of the Institution or Fund is exempt from tax under any of the following - <ol style="list-style-type: none"> (a) Regimental Fund or Non-Public Fund established by the Armed Forces of the Union, welfare of its Members and their dependants [Sec.10(23AA)] (b) Prime Minister's Fund (Promotion of Folk Art) [Sec.10(23C)] (c) Prime Minister's Aid to Students Fund [Sec.10(23C)] (d) National Foundation for Communal Harmony [Sec.10(23C)] (e) Charitable Trusts and Institutions [Sec.11 and 12]
Income from Business	If the Institution is having Income from Business, the following additional conditions be satisfied - <ol style="list-style-type: none"> (a) The Institution or Fund should maintain separate books of accounts in

	<p>respect of business,</p> <p>(b) The donations made to the Institution or Fund should not be used for the purpose business, directly or indirectly,</p> <p>(c) The Institution should issue a Certificate to its Donors, stating that it fulfills above two conditions.</p>
Accounts	The Institution / Fund should maintain regular accounts of its receipt and expenditure.
Approval	<p>(a) The Institution / Fund should be approved by the CIT / Principal CIT.</p> <p>(b) Application for approval of the Institution should be made in Form LOG enclosing following -</p> <ul style="list-style-type: none"> • Copy of Registration granted u/s 12A or Copy of Notification issued u/s 10(23C), • Notes on Activities of the Institution or Fund since its inception or during the three years, whichever is less, • Copies of accounts of the Institution or Fund since its inception or during the last years, whichever is less. <p>(c) Approval is not required to be renewed every year.</p>
Donor's entitlement to deduction	<p>The donor's entitlement to deduction will not be denied, in the following situations</p> <p>a. Subsequent to donation, the income of the institution or fund has become chargeable to tax because of non compliance with provisions of sec. 11, 12 or 12A</p> <p>b. Aggregate of the funds invested by institutions/ fund in an institutions carrying on religious activity, exceeds 5% of the capital of that Institution.</p>

Illustration - Donation u/s 80G - N 12

Mr. Rajmohan whose Gross Total Income was 6,40,000 for the Previous Year 2015-2016 furnishes the following information:

1. Stamp Duty paid on acquisition of Residential House (Self-Occupied) Rs.50,000.
2. Five-Year Time Deposit in an account under Post Office Time Deposit Rules, 1981, Rs.20,000.
3. Donation to a recognized Charitable Trust 25,000 which is eligible for deduction u/s 80G at the applicable rate.
4. 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 2016-2017.

Solution:

Assessee: Mr. Rajmohan

Previous Year: 2015-2016

Assessment Year: 2016-

2017

Computation of Total Income

Particulars	Rs.	Rs.
Gross Total Income		6,40,000
Deductions under Chapter VI-A		
U/s 80C - 5 Years Time Deposit in an account under Post Office Time Deposit Rules	20,000	
Stamp Duty Paid on Acquisition of Residential House allowed u/s 80C	50,000	(70,000)
U/s 80E - Interest on Loan taken for Higher Education of Spouse		(10,000)
U/s 80G - Donation to Trust = Lower of the following		
• 50% of 56,000 [(Rs.6,40,000 – Rs. 80,000) x 10%]	28,000	
• 50% of Rs. 25,000	12,500	(12,500)
Total Income		5,47,500

RENT PAID - Sec. 80GG

Eligible Assessee - Individual

Rent paid is allowable as deduction to the extent of the least of the following:

- i) Excess of rent paid over 10% of adjusted total income
- ii) 25% of adjusted total income
- iii) Rs. 2,000 p.m.

Adjusted total income for this purpose means Gross Total Income as reduced by

- a) Deductions under Chapter VI-A, except u/s. 80GG;
- b) Long term capital gains - Sec. 112;
- c) Short term capital gains on listed securities - Sec. 112A;
- d) Income from lotteries, crossword puzzles, card games - Sec. 115BB;
- e) Specified income of non-residents
- f) Such sum on which income tax is not payable (Eg. share of an AOP/BOI)

Conditions

- a) The assessee should not be in receipt of house rent allowance exempt u/s. 10(13A) or rent free accommodation;
- b) The assessee should pay rent for the residential accommodation;
- c) The assessee, or spouse, or minor child or the HUF in which he is a member should not own any residential accommodation at that place where such an assessee ordinarily resides or at the place where he works or carries on business or profession
- d) If the assessee owns any residential accommodation at any place other than place of residence or work of the assessee, then such property should not be assessed as a self-occupied property.

DEDUCTION IN RESPECT OF DONATIONS FOR SCIENTIFIC RESEARCH OR RURAL DEVELOPMENT - Sec. 80GGA

1. **Eligible assessee** - All assessees not having any income chargeable under the head 'Profits and gains of business or profession',

2. **Eligible donations**—

100% of the following donations:

i) To an approved research association or University or College or Institution, this has as its object;

- a) Undertaking of scientific research
- b) Research in social science or statistical research

ii) To an association or institution engaged in any approved programme for rural development or which is engaged in the training of persons for implementation of rural development programmes, or to a notified rural development fund or notified National Urban Poverty Eradication Fund

iii) To a public sector company or to a local authority or to an association or institution approved by National Committee, for carrying out any eligible project or scheme

The expressions "National Committee" and "eligible project or scheme" shall have the meaning assigned in Explanation to Sec. 35AC.

3. Where a **deduction is claimed and allowed** under this section in respect of any payment, no deduction shall be allowed under any other provision.

4. In case, any person making **contribution to institution/association**, which was granted approval 80GGA, is eligible to claim such contribution as deduction, even though the approval was withdrawn subsequently by the Central Government.

5. **No deduction shall be allowed** in case the amount of donation is paid in cash in excess of Rs. 10,000 - Sec. 80GGA(2A)



DONATIONS TO POLITICAL PARTIES, ETC. [Sec.80GGB, 80GGC]

Particulars	Sec.80GGB	Sec.80GGC
Applicability	Indian Company,	Any person Not applicable to- • Local Authority, • Every Artificial Juridical Person wholly or partly funded by Government
Amount of deduction	Amount contributed during the previous year to - (a) A Political Party registered u/s 29A of the Representation of People Act, 1951, or (b) An Electoral Trust.	
No Cash Contribution	No deduction shall be allowed in respect of any sum contributed by way of Cash u/s 80GGB or 80GGC	

Note: In sec. 80GGB, the word "contribute" is understood as under -

1. A Donation or Subscription or payment given by a Company to a person for carrying on any activity which is effect public support for a Political Party shall also be deemed to be contribution for a political purpose.
2. Expenditure incurred, directly or indirectly by a Company on Advertisement in any publication (Souvenir, Tract, Pamphlet) by or on behalf of a Political Party or for its advantage, shall also be deemed to be a con such Political Party or for political purpose to the person publishing it.

Question: Mr. J made the following contributions during P/Y 12-13:- (i) Rs. 10,000 to ICAI for carrying out statistical research (ii) Rs 5,000 to rural development fund. Determine his taxable income if he is (i) employee drawing salary of Rs 2,00,000 (ii) businessman having income of 2,00,000 (before deduction of donation).

Solution:

Computation of taxable income

Particulars	Salary Income	Business Income
Income	2,00,000	2,00,000
Less: deduction u/h PGBP 10,000 X 125%	----	12,500
5,000 X 100%	----	5,000
GTI	2,00,000	1,82,500
Less: Deduction u/s 80GGA	15,000	---
Taxable income	1,85,000	1,82,500

Section 80 GGB and 80 GGC

Any sum contributed during the previous year to any **political party** shall qualify for deduction.

Any sum contributed during the previous year to any **Electoral Trust** shall qualify for deduction.

No deduction shall be allowed under section 80GGB and 80GGC in respect of any sum contributed by way of cash.

Section 80QQB and 80RRB

Particulars	80QQB- Deduction for royalty income of authors of certain books other than text books	80RRB- Deduction for royalty on patents
Eligible Assessee	Resident individual Deduction is allowable in respect of royalty income or copyright fee of authors of certain books other than textbooks for assignment or grant of any interest in the copyright of any book.	Resident individual
Eligible income	In case of Lump sum royalty_ then Amount received or receivable (+)In case of royalty otherwise than by way of lump sum (i.e., as a percentage of sales)_ then Maximum 15% of the value of books sold shall be allowed	Royalty includes- a) Transfer of all or any rights (including the granting of license) in respect of patent or b) Imparting of any information concerning the working of, or the use of, a patent or c) Use of any patent or d) Rendering of any services in connection with the activities referred in above clauses

		Royalty excludes- Income chargeable under the head capital gain or for sale of product manufactured with the use of patented process or patented article for commercial use.
Quantum of deduction	Amount of eligible income computed as above or Rs. 3,00,000, whichever is lower.	<p>i. Deduction shall be allowed in respect of any income by way of royalty in respect of a registered patent to the extent of the whole of such income or Rs. 3 lakhs, whichever is less.</p> <p>ii. If a compulsory license is granted in respect of any patent under the Patents, Act, 1970, the income by way of royalty eligible for deduction wider this section shall not exceed the amount of royalty under the terms and conditions of a license settled by the Controller under the said Act.</p>
Certificate submitted along with the return of income	Form 10CCD Form 10H in case of foreign income	Form 10CCE Form 10H in case of foreign income
Common point	<p>✓ Where an assessee claims deduction under the respective section, no deduction in respect of same income shall be allowed under any other provision in any assessment year.</p> <p>✓ If any such income is earned from any source outside India, the amount of income to considered for deduction under this provision shall be restricted to the amount of such income brought into India by convertible foreign exchange by the assessee within a period of 6 months from the end of the previous year in which such income is earned or within such further period allowed by the RBI.</p>	

INTEREST ON SAVINGS ACCOUNT DEPOSITS [Sec.80TTA]

1. **Applicability:** Individual or HUF.
2. **Nature of Income:** Interest on Deposits in a Savings Account (not being Time Deposits) with -
 - (a) A Banking Company to which the Banking Regulation Act, 1949 applies,
 - (b) A Co-Operative Society engaged in carrying on the business of banking (including a Co-Operative Land Mo Bank or a Co-Operative Land Development Bank)
 - (c) Post Office under Post Office Act, 1898.
3. **Deduction:** Interest Income or 10,000, whichever is less.
 1. **Deposit held by Firm, AOP or BOI:** Where the Savings Account is held in the name of a Firm, AOP, or BOI, deduction shall be allowed u/s 80TTA in respect of such income, in computing the Total Income of any Partner of Firm or Member of AOP BOI.

**DEDUCTION AVAILABLE FOR HANDICAPPED PERSONS -Sec.80U**

Applicability	Resident Individual suffering from disability, (i.e. Permanent Physical Disability or Retardation including blindness, loss of voice, Autism, Cerebral Palsy and Multiple Disabilities as per Rule 11D.)
Amount of deduction	<ol style="list-style-type: none"> a) General: A fixed deduction of Rs.75,000 is allowed. b) Special: If the person has a "severe disability", the deduction is Rs.1,25,000. [See Note]
Conditions	<ol style="list-style-type: none"> a) The Assessee shall furnish a copy of the Certificate issued by the Medical Authority, in 10-IA, along with the Return of Income u/s 139 b) In case of re-assessment of disability, a fresh certificate from the Medical Authority is obtained after the expiry of the period mentioned in the original certificate; in order continue to claim the deduction.

Note: Person with Severe Disability means:

- A person with 80% or more of one or more disabilities as referred u/s 56(4) of the Persons With Disabilities Opportunities, Protection of Rights and Full Participation) Act, 1995, or
- A person with severe disability as referred u/s 2(o) of the National Trust for Welfare of Persons with Autism, Palsy, Mental Retardation and Multiple Disabilities Act, 1999.