DEDUCTIONS FROM GROSS TOTAL INCOME

CHAPTER VI - A

Basic rules of deductions

The following basic rules have to be kept in mind for calculating deductions under Section 80C to 80U :

1. Deductions under Section 80C to 80U are not allowed from the following incomes although these incomes are part of GTI :

   (a) LTCG

   (b) STCG taxable under Section 111A

   (c) Winning from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature whatsoever.

   After considering above the aggregate amount of deduction under Section 80C to 80U cannot exceed GTI.

   For example if GTI is Rs. 2,80,000 and it includes LTCG (and /or STCG taxable under Section 111A and /or winning from lottery, races etc.) of Rs. 30,000 then aggregate deductions under Sections 80C to 80U cannot exceed Rs. 2,50,000 (i.e. Rs. 2,80,000 – Rs. 30,000)

2. These deductions are to be allowed only if the assessee claims these and establishes the circumstances warranting such deductions.

A. Deduction in respect of LIP, contribution to P.F. etc. [Section 80C]

- Deduction under Section 80C is available only to an individual or a HUF.
- The deduction is calculated as per the following steps :

  Step 1 : Gross qualifying amount

  Step 2 : Amount of deduction

Step 1 : Gross qualifying amount

SI. No.	Payment / deposit / contribution must be in / to / towards	Investment can be made in the name of	Deduction available to	Conditions to be fulfilled
1.	L. I. P.	Individual himself / spouse / ***any child***	Individual	If premium paid exceeds 20% of capital sum assured, the amount eligible for deduction shall be limited to 20% of capital sum assured.
		Any member of HUF	HUF	
2.	S. P. F. / R. P. F.	Individual himself	Individual	Individual should contribute to SPF / RPF in capacity of employee.
3.	P. P. F.	Individual himself / spouse / ***any child***	Individual	
		Any member of HUF	HUF	
4.	Approved Superannuation Fund	Individual himself	Individual	Individual should contribute to fund in capacity of employee.

Sl. No.	Payment / deposit / contribution must be in / to / towards	Investment can be made in the name of	Deduction available to	Conditions to be fulfilled
5.	National Saving Scheme, 1992 (i.e. NSS, 1992)	Individual himself	Individual	
		HUF	HUF	
6.	National Saving Certificate, VIII Issue (i.e. NSC, VIII Issue)	Individual himself	Individual	Accrued interest on NSC (which is deemed as reinvested) also qualifies for deduction for first 5 years.
		HUF	HUF	
7.	Units of : (a) any Mutual Fund covered U/S 10 (23D) or (b) UTI (i.e. Equity Linked Saving Scheme, 2005)	Individual himself	Individual	
		HUF	HUF	
8.	Unit Linked Insurance Plan of UTI (i.e. ULIP) & Dhanraksha Plan of LIC Mutual Fund	Individual himself / spouse / ***any child***	Individual	
		Any member of HUF	HUF	
9.	Home Loan Account Scheme of National Housing Bank	Individual himself	Individual	
		HUF	HUF	
10.	Subscription to any deposit scheme of : (a) Public Sector Company engaged in providing long-term finance for purchase or construction of residential houses in India (b) Housing Board constituted in India for the purpose of planning, development or improvement of cities / towns.	Individual himself	Individual	
		HUF	HUF	
11.	Any repayment of amount borrowed for purchase or construction of a residential house property.	Individual himself	Individual	
		HUF	HUF	
12.	Tuition fee	Children of Individual	Individual	See Note 1
13.	Subscription of Equity shares or Debentures of a public company [approved by the CBDT] engaged in infrastructure including power sector	Individual himself	Individual	
		HUF	HUF	
14.	Subscription of units of any Mutual Fund covered U/S 10 (23D) [approved by CBDT], proceeds of which are utilized for developing, maintaining, etc., of a new infrastructure facility	Individual himself	Individual	
		HUF	HUF	
15.	Term-deposit for a period of 5 years or more with a scheduled bank	Individual himself	Individual	
		HUF	HUF	
		HUF	HUF	

SI. No.	Payment / deposit / contribution must be in / to / towards	Investment can be made in the name of	Deduction available to	Conditions to be fulfilled
16.	Subscription to any notified bonds of NABARD	Individual himself	Individual	
		HUF	HUF	
17.	Five year time deposit in an account under the Post Office Time Deposit Rules, 1981	Individual himself	Individual	
		HUF	HUF	
18.	Deposit in an account under the Senior Citizens Savings Scheme Rules, 2004	Individual himself	Individual	

"any child" : Major / Minor / Male / Female / Married / Unmarried / Dependent / Independent.

Note 1 :

Following conditions must be satisfied :

1. Should be tuition fee and not development fee or donation or payment of similar nature.
2. Paid at the time of admission or thereafter.
3. Paid to educational institution situated in India.
4. Paid for full time education.
5. Paid for any two children.

Step 2 : Amount of deduction

Amount of deduction shall be lower of the following :

(a) Gross qualifying amount [i.e. total of (1) to (18) above]

(b) Rs. 1,00,000/-

General Note on Section 80C :

(i) Deduction under Section 80C is allowed only when the specified amount has been ***actually paid*** during the previous year. In other words, deduction under Section 80C is allowed on "Payment Basis".

(ii) If an assessee :

(a) terminates ULIP before 5 years or

(b) terminates Life policy before 2 years premium payment or

(c) transfers house property before 5 years from the end of P.Y. in which purchased or construction completed or

(d) transfers shares or debentures to any person at any time within a period of 3 years from the date of their acquisition or

(e) withdrew any amount, including interest accrued thereon, from Five year time deposit in an account under the Post Office Time Deposit Rules, 1981 or an account under the Senior Citizens Savings Scheme Rules, 2004, before the expiry of the period of five years from the date of its deposit,

deduction allowed in past years shall be deemed to be ***income of the assessee of the previous year in which termination / transfer / withdrawal takes place***.

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

Essential conditions for claiming deduction :

1. The taxpayer is an individual.

2. During the P.Y. he has paid or deposited a sum under an annuity plan of LICI or any other insurer for receiving pension.

3. The aforesaid sum is paid out of income chargeable to tax. It is, however not necessary that it should be paid out of the income of the current year. It may be paid even out of taxable income of earlier years.

Amount of deduction :

The amount deposited or Rs. 1,00,000/-, whichever is lower.

Notes :

1. Any amount received by assessee or his nominee :

   - on account of surrender before maturity date or

   - on account of pension

   shall be taxable in the hands of assessee or nominee, as the case may be, in the year of the ***receipt***.

2. If deduction is claimed under Section 80C, in respect of the same investment, deduction is not available under Section 80CCC.

3. **It may be noted that aggregate amount of deduction under Sections 80C, 80CCC and 80CCD cannot exceed Rs. 1,00,000 as per Section 80CCE.**

C. Deduction in respect of contribution to pension scheme of Central Government [Section 80CCD]

Essential conditions for claiming deduction :

1. The taxpayer is an individual

2. Assessee is employed by the Central Government ***(or any other employer)*** on or after January 1, 2004 ***or any other assessee, being an individual (i.e. self-employed individual).***

3. He has in the P.Y. paid or deposited any amount in his account under a pension scheme notified by the Central Government.

   New Pension System (NPS) has been notified in this respect. NPS Trust has been set-up on 27th February, 2008 to manage the assets and funds under NPS in the interest of the beneficiaries.

Amount of deduction :

1. Employee will get double deduction for the amount contributed by him as well as his employer in the year in which contribution is made.

Deduction for ***own (i.e. employee) contribution*** will be least of the following :

(a) Own contribution

(b) 10% of ***Salary*****

Similarly, deduction for ***employer's contribution*** will be least of the following :

(a) Employer's contribution

(b) 10% of ***Salary*****

*****Salary*** means Basic salary + D. A., if the terms of employment so provide.

2. ***Any other assessee, being an individual will get deduction of least of the following :***

(a) ***Amount Contributed***

(b) ***10% of Gross Total Income***

Notes :

1. Any amount received by the assessee (i.e. employee or self-employed person) or his nominee :
   - on opting out of the said scheme or
   - on account of pension

   shall be taxable in the hands of assessee or nominee, as the case may be, in the year of the ***receipt***.

   However, if amount received is used for purchasing an annuity plan in the same previous year, then it will be exempt from tax – Section 80CCD(5).

2. **It may be noted that aggregate amount of deduction under Sections 80C, 80CCC and 80CCD cannot exceed Rs. 1,00,000 as per Section 80CCE.**

D. Deduction in respect of subscription to long-term infrastructure bonds [Section 80CCF]

Essential conditions for claiming deduction :

1. The taxpayer is an individual or HUF

2. Taxpayer has paid or deposited ***during the P.Y. 2010-11*** as subscription to long-term infrastructure bonds notified by the Central Government.

Amount of deduction :

The amount paid/deposited or Rs. 20,000/-, whichever is lower.

Note :

1. Deduction under Section 80CCF is over and above the existing overall limit of deduction on savings of upto Rs. 1 lakh under Sections 80C, 80CCC and 80CCD as prescribed by Section 80CCE.

2. Deduction under this section is available for A.Y. 2011-12 only.

Notification Nos. 48/2010 dated 9.7.2010 & 77/2010 dated 11.10.2010

Subscription to long-term infrastructure bonds of Industrial Finance Corporation of India, Life Insurance Corporation of India, Infrastructure Development Finance Company Limited and a non-banking Finance Company classified as an Infrastructure Finance Company by the Reserve Bank of India would qualify for deduction under section 80CCF. Further, subscription to long-term infrastructure bonds of India Infrastructure Finance Company Ltd. would also qualify for deduction under section 80CCF.

E. Deductions in respect of medical insurance premium [Section 80D]

Essential conditions for claiming deduction :

1. The taxpayer is an individual or HUF

2. Insurance premium is paid by the taxpayer in accordance with the scheme :

   - framed by the General Insurance Corporation of India (GICI) and approved by the Central Government (known as **"Mediclaim"** insurance policy)

   - framed by any other insurer and approved by the IRDA

3. Insurance premium is paid by any mode other than cash.

4. It is paid out of income chargeable to tax.

5. Insurance policy is taken on the health of the following person :

   - ***In case of an individual* :** Individual himself, spouse, dependent children or parents (whether dependent or not).

   - ***In case of an HUF* :** any member of the HUF.

Amount of deduction :

	HUF	**Individual**		
On whose health insurance policy can be taken	Any member	Individual himself, spouse, dependent children*	Parents ***whether dependent or not***	**Total**
General deduction	15,000	15,000	15,000	30,000
Additional deduction if insured is a senior citizen	5,000	5,000	5,000	10,000
Total	**20,000**	**20,000**	**20,000**	**40,000**

***Amendment made by Finance Act, 2010**

With effect from A.Y. 2011-12 deduction under Section 80D is also available in respect of contribution to ***Central Government Health Scheme***. However this deduction is not available to HUF. Deduction is available to an individual and only in respect of health insurance policy taken for Individual himself, spouse and dependent children. If an individual takes an insurance policy on health of Parents ***whether dependent or not, deduction under this Section will not be available.***

Illustration 1 : Mr. R aged about 68 years pays Rs. 16,000 on mediclaim insurance policy taken on the health of himself and his spouse (aged about 66 years). He also contributes Rs. 4,000 towards Central Government Health Scheme taken on the health of himself and his spouse. In this case total deduction shall be Rs. 20,000 (being the maximum allowable deduction).

Illustration 2 : Mr. K aged about 56 years pays Rs. 16,000 on mediclaim insurance policy taken on the health of his parents who are not dependent on him. He also contributes Rs. 4,000 towards Central Government Health Scheme taken on the health of his parents. In this case total deduction shall be Rs. 16,000 (being the maximum allowable deduction) only and benefit of Rs. 4,000 cannot be taken.

F. Deduction in respect of maintenance including medical treatment of a dependent being a person with disability [Section 80DD]

Essential conditions for claiming deduction :

1. The assessee is resident in India (may be ordinarily resident or not ordinarily resident)

2. The assessee is an individual or a HUF

3. Assessee has during the P.Y. :

   (a) incurred an expenditure for the medical treatment (including nursing), training and rehabilitation of a ***dependent*** being a ***person with disability***; ***or***

   (b) paid or deposited under any ***scheme*** framed in this behalf by the LICI or any other insurer or UTI and approved by the CBDT, for maintenance of a ***dependent*** being a ***person with disability***.

4. For claiming the deduction, the assessee shall have to furnish a copy of the certificate issued by the medical authority along with the ROI.

Amount of deduction :

The amount deductible is a fixed deduction of Rs. 50,000/- irrespective of the actual expenditure incurred / amount deposited. However, amount deductible will be Rs. ***1,00,000*** (instead of Rs. 50,000/-), where dependent is a ***person with severe disability***.

Notes :

1. **Meaning of *"dependent"* :**

   "Dependent" means :

   (a) In case of an individual : Spouse, children, parents, brothers and sisters of the individual

   (b) In case of a HUF : any member of the HUF

   dependent wholly or mainly on such individual or HUF for his support and maintenance, and *who has not claimed any deduction under Section 80U* in computing his Total Income for the assessment year relating to the previous year.

2. **Meaning of *"person with disability"* :**

   "Person with disability" means a person suffering from 40% or more of any of the following disabilities as certified by a medical authority :

(i) blindness
(ii) low vision
(iii) leprosy-cured
(iv) hearing impairment
(v) locomotor disability
(vi) mental retardation
(vii) mental illness

3. **Meaning of *"person with severe disability"*** :

"person with severe disability" means a person with 80% or more of one or more disabilities.

4. **Consequences if the dependent predeceases the assessee** :

If the dependent being a person with disability predeceases the assessee, an amount equal to the amount paid or deposited under the scheme as stated above shall be deemed to be income of the assessee of the P.Y. in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that P.Y.

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

Essential conditions for claiming deduction :

1. The assessee is resident in India (may be ordinarily resident or not ordinarily resident)

2. The assessee is an individual or a HUF

3. The assessee has actually paid any amount for the medical treatment of the following persons for the ***disease or ailments prescribed by the CBDT under Rule 11DD*** :

In case of an individual	:	for himself or ***dependent*** relative
In case of a HUF	:	for any ***dependent*** member of the HUF

4. For claiming the deduction, the assessee should furnish a certificate in Form No. 10-I from prescribed specialist working in a Government hospital.

Amount of deduction :

Least of the following is deductible :

(a) Rs. 40,000/-**

(b) Expenditure actually paid – Amount received, if any, from insurance company

**In case the person for whom such expenditure is incurred happens to be senior citizen, amount of Rs. 40,000/- as above shall be substituted by Rs. 60,000/-

Notes :

1. ***"Disease or ailments prescribed by the CBDT under Rule 11DD"*** :
   (i) Neurological diseases (e.g. Dementia, Parkinsons Disease etc.)

(ii) Malignant Cancer;
(iii) Full Blown Acquired Immuno-Deficiency Syndrome (AIDS);
(iv) Chronic Renal Failure;
(v) Hemophilia;
(vi) Thalassaemia.

2. **Meaning of *"dependent"*** :

"Dependent" means :

(c) In case of an individual : Spouse, children, parents, brothers and sisters of the individual

(d) In case of a HUF : any member of the HUF

dependent wholly or mainly on such individual or HUF for his support and maintenance.

H. Deduction in respect of the repayment of loan taken for higher education [Section 80E]

Essential conditions for claiming deduction :

1. The assessee is an individual.

2. The assessee must have taken a loan from :

   (a) any financial institution (i.e. a banking company or financial institution notified by Central Government).

   (b) any approved charitable institution under Section 10 (23C) or Section 80G (2) (a).

3. The loan must have been taken for pursuing ***"higher education"*** of the individual himself or his spouse or his children or the student for whom the individual is the legal guardian.

4. The deduction shall be allowed in respect of any sum paid by him, in the P.Y. by way of ***interest*** on such loan.

5. Such amount should be paid ***out of his income*** chargeable to tax.

Amount of deduction :

The amount paid during previous year towards ***interest***.

Notes :

1. **Period of deduction :** Deduction shall be allowed for 8 assessment years starting from the assessment year in which the assessee starts paying the interest on loan, or until the interest thereon is paid by the assessee in full, whichever is earlier.

2. **Meaning of "higher education" :** ***"higher education"*** means any course of study 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.

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

Essential conditions for claiming deduction :

1. Deduction under Section 80G is available to all assessees.
2. The donation should be a sum of money. Donations in kind do not qualify for deduction.
3. The donation should be made only to specified funds/institutions.
4. For availing deduction under Section 80G it is obligatory on the part of the assessee to produce proper proof of payment.

Amount of deduction :

(A) Donation made to following are eligible for 100% deduction *without* any qualifying limit :

1. National Defence Fund
2. Prime Minister's National Relief Fund
3. Prime Minister's Armenia Earthquake Relief Fund
4. National Foundation for Communal Harmony
5. Approved University/Educational Institution of National Eminence
6. Maharashtra Chief Minister's Earthquake Relief Fund
7. Any fund set up by the State Government of Gujarat, exclusively for providing relief to the victims of earthquake in Gujarat
8. Zila Saksharta Samiti constituted in any district
9. National/State Blood Transfusion Council
10. The Army Central Welfare Fund or the Air Force Central Welfare Fund or the Naval Benevolent Fund
11. The Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996
12. National Sports Fund
13. National Cultural Fund
14. National Illness Assistance Fund
15. Chief Minister's Relief Fund or the Lieutenant Governor Relief Fund
16. National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities.

(B) Donation made to following are eligible for 50% deduction *without* any qualifying limit :

1. Jawaharlal Nehru Memorial Fund
2. Prime Minister's Drought Relief Fund
3. National Children's Fund
4. Indira Gandhi Memorial Trust
5. Rajiv Gandhi Foundation

(C) Donation made to following are eligible for 100% deduction *subject to* qualifying limit :

1. Donation to Government or any approved local authority, institution or association to be utilized *for promoting family planning*
2. Donation to Indian Olympic Association or to any other notified association or institution in India for the development of infrastructure for sports and game or for the sponsorship of sports and game

(D) Donation made to following are eligible for 50% deduction *subject to* qualifying limit :

1. Donation to Government or any approved local authority, institution or association to be utilized for any charitable purpose *other than promoting family planning*
2. Any authority constituted under any law for satisfying the need for housing accommodation or for planning development and/or improvement of cities, towns and villages
3. Any Corporation established by Central/State Government for promoting interest of members of a minority community
4. Any notified temple, mosque, gurdwara, church or other notified place to be of historic, archaeological or artistic importance, for renovation or repair of such place.

Qualifying Limit :

Where the aggregate of the donations made to funds/institutions covered under **(C)** & **(D)** exceeds 10% of the ***Adjusted Gross Total Income***, the amount in excess of 10% of the ***Adjusted GTI*** will be ignored while computing the aggregate of the sums in respect of which deduction is to be allowed.

Adjusted Gross Total Income :

Gross total Income		*****
Less : LTCG	*****	
STCG taxable under Section 111A	*****	
Deduction u/s 80C to 80U (except u/s 80G)	*****	*****
Adjusted Gross Total Income		*****

J. Deduction in respect of rent paid [Section 80GG]

Essential conditions for claiming deduction :

1. The deduction is allowed to an individual.
2. The individual should pay rent for his ***residential accommodation*** whether furnished or unfurnished.
3. The individual is either self-employed person or if he is an employee, he is neither entitled to any HRA nor a ***rent-free*** accommodation.
4. The individual, his/her spouse or minor child or a HUF of which he/she is a member, does not own any ***residential accommodation*** at the place where individual resides or at the place where he works or carries on his business or profession

5. If the individual owns any ***residential accommodation*** at any place, other than the place of residence or work, then such property should not be assessed in the hands of the individual as self-occupied property.

6. Individual must file a declaration in Form No. 10BA (alongwith ROI) regarding the expenditure incurred by him towards payment of rent.

Amount of deduction :

Least of the following shall be deductible :

(a) Rs. 2,000 per month

(b) 25% of ***Adjusted Gross Total Income***

(c) Rent Paid – 10% of ***Adjusted Gross Total Income***

Adjusted Gross Total Income :

Gross total Income		*****
Less : LTCG	*****	
STCG taxable under Section 111A	*****	
Deduction u/s 80C to 80U (except u/s 80GG)	*****	*****
Adjusted Gross Total Income		*****

K. Deduction in respect of contributions given by *Indian companies* to political parties [Section 80GGB]

Any amount contributed by an ***Indian company*** to a political party ***or an electoral trust*** is fully deductible.

"Political Party" means a political party registered u/s 29A of the Representation of the People Act, 1951.

"Electoral Trust" means a trust so approved by the Board in accordance with the scheme made in this regard by the Central Government [Section 2(22AAA)].

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

Any amount contributed by any person (not being local authority and every artificial juridical person wholly or partly funded by the Government) to a political party ***or an electoral trust*** is fully deductible.

"Political Party" means a political party registered u/s 29A of the Representation of the People Act, 1951.

"Electoral Trust" means a trust so approved by the Board in accordance with the scheme made in this regard by the Central Government [Section 2(22AAA)].

M. Deduction in respect of profits and gains from the business of collecting and processing of bio-degradable waste [Section 80JJA]

Where the GTI of an assessee includes any profits and gains derived from the business of collecting, processing or treating of bio-degradable waste for :

(i) generating power, or

(ii) producing bio-fertilizers, bio-pesticides or other biological agent, or

(iii) producing bio-gas, or

(iv) making pellets or briquettes for fuel, or

(v) organic manure

a deduction u/s 80JJA will be allowed.

Amount of deduction :

The whole of profits and gains shall be deductible for a period of five consecutive A.Ys. beginning with the A.Y. relevant to the P.Y. in which such business commences.

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

Essential conditions for claiming deduction :

1. The deduction is available to an individual
2. He must be resident in India
3. He is a ***person with disability***
4. He is certified by the medical authority to be a person with disability ***at any time during the P.Y***.
5. For claiming the deduction, the assessee shall have to furnish a copy of the certificate issued by the medical authority along with the ROI.

Amount of deduction :

The amount deductible is a fixed deduction of Rs. 50,000/- irrespective of the actual expenditure incurred. However, amount deductible will be Rs. ***1,00,000*** (instead of Rs. 50,000/-), where assessee is a ***person with severe disability***.

Notes :

1. **Meaning of *"person with disability"* :**

   Same as given under Section 80DD.

2. **Meaning of *"person with severe disability"* :**

   Same as given under Section 80DD.

DEDUCTIONS FROM GROSS TOTAL INCOME

PRACTICAL PROBLEMS

Question No. 1 :

Mr. Ram is employed by the Central Government in the Home Ministry on 6th March, 2009. During the P.Y. 2010-11, his basic salary including D.A. is Rs. 36,000 per month. Mr. Ram contributes Rs. 4,000 per month towards notified pension scheme. Central Government also contributes same amount. He annually contributes Rs. 15,000 to Public Provident Fund. He annually contributes Rs. 10,000 towards LIC's pension fund for the purpose of Section 80CCC. Compute his Total Income and Tax Liability.

Question No. 2 :

Mr. X furnished following particulars for A.Y. 2011-12 :

			Rs.
1.	Gross Total Income (Includes LTCG Rs. 40,000/- & STCG Rs. 20,000/-)		2,55,000
2.	Contribution towards PPF		10,000
3.	LIP paid for married son not dependent on him.		5,000
4.	Mediclaim Premium paid by cheque for :		
	(a)	Himself	2,000
	(b)	Married son not dependent on him	3,000
5.	He has made following donations :		
	(a)	National Defence Fund	5,000
	(b)	Prime Minister National Relief Fund	4,000
	(c)	Indira Gandhi Memorial Trust	5,000
	(d)	Delhi University (declared as institution of national eminence)	2,000
	(e)	Zila Saksharta Samiti	4,000
	(f)	An approved charitable institution	12,000
	(g)	Government for Family Planning	10,000
	(h)	Donation of blankets to an orphanage	4,000
	(i)	Donation to National Blood Transfusion Council	2,000

Compute Total Income and Tax Payable by Mr. X.

Question No. 3 :

Mr. Sanyal, an engineer furnishes the following particulars for P.Y. 2010-11 :

		Rs.
(a)	Income from House Property (computed)	1,30,000
(b)	Income from profession (computed)	70,000
(c)	STCG on sale of shares (taxable U/S 111A)	20,000
(d)	LTCG on sale of land	30,000
(e)	Winning from races	3,500
(f)	Interest from bank deposit	12,000
(g)	Deposit in PPF	12,000
(h)	Rent paid for residential accommodation (per month)	5,000

Neither Mr. Sanyal nor his family owns any residential accommodation. Compute his Total Income and Tax Liability for the A.Y. 2011-12.

Question No. 4 :

Mr. Ram is a resident individual. He suffers from a severe disability as certified by medical authority. He is mainly dependent upon his brother Mr. Shyam for support and maintenance. Mr. Shyam annually incurs a sum of Rs. 5,000 on medical treatment of Mr. Ram. Gross Total Income of Mr. Ram and Mr. Shyam are Rs. 10,000 and Rs. 6,00,000 respectively. Find out the Net Income of Mr. Ram and Mr. Shyam for the A.Y. 2011-12.

Question No. 5 :

Compute the deduction allowable under Section 80C and the net-tax payable by A from the following information submitted by him for the A.Y. 2011-12 :

		Rs.
1.	Gross Salary	2,70,000
2.	Royalty (Gross)	27,000
3.	Expenses allowable from royalty	5,000
4.	Interest on bank deposits	13,000
5.	LIP on his own life (sum assured Rs. 20,000)	6,000
6.	LIP on the life of his wife	2,000
7.	LIP on the life of his major son (not dependent on A)	2,500
8.	LIP on the life of dependent brother	2,000
9.	Contribution to a Recognized Provident Fund	20,000
10.	Amount deposited to a PPF Account	15,000
11.	Contribution to ULIP	3,000
12.	Repayment of housing loan taken from LICI (Principal amount Rs. 23,000 and interest Rs. 40,000)	63,000
13.	Subscription of units of any Mutual Fund covered U/S 10(23D) [approved by CBDT], proceeds of which are utilized for developing, maintaining, etc., of a new infrastructure facility	45,000
14.	Amount incurred on the education of :	
	(a) Child X	14,000
	(b) Child Y	7,000
	(c) Child Z	5,000

He had taken the loan from LICI for construction of a residential house property which was completed in 1994 and which is being utilized by A for his own residence.

DEDUCTIONS FROM GROSS TOTAL INCOME

SOLUTIONS TO PRACTICAL PROBLEMS

Answer to Question No. 1 :

Computation of Total Income (AY 2011-12)

	Rs.	Rs.
Income from Salaries :		
Salary (Rs. 36,000 x 12)		4,32,000
Contribution by Central Government (Rs. 4,000 x 12)		48,000
Income from salaries		4,80,000
Less : Deduction under Sections :		
80C	15,000	
80CCC ***(Note 1)***	10,000	
80CCD for :		
Own Contribution ***(Note 2)***	43,200	
Contribution by Central Government ***(Note 3)***	43,200	
Deductions u/s 80C, 80CCC & 80CCD restricted to	1,11,400	1,00,000
Total income		**3,80,000**

Computation of Tax Liability

	Rs.
Total income	3,80,000
Tax on total income	22,000
Add : Education Cess @ 2%	440
	22,440
Add : SHEC @ 1%	220
Tax payable	**22,660**

Note :

1. Deduction u/s 80CCC :
   Least of the following is deductible u/s 80CCC :
   (a) Amount deposited = Rs. 10,000/-
   (b) Rs. 1,00,000/-
   Hence amount deductible u/s 80CCC will be Rs. 10,000/-

2. Deduction u/s 80CCD for own contribution will be least of the following :
   (a) Own contribution (i.e. Rs. 4,000 x 12) = Rs. 48,000/-
   (b) 10% of Salary (i.e. Rs. 36,000 x 10% x 12) = Rs. 43,200/-
   Hence amount deductible u/s 80CCD will be Rs. 43,200/-

3. Deduction u/s 80CCD for employer's contribution will be least of the following :
   (a) Employer's contribution (i.e. Rs. 4,000 x 12) = Rs. 48,000
   (b) 10% of Salary (i.e. Rs. 36,000 x 10% x 12) = Rs. 43,200/-
   Hence amount deductible u/s 80CCD will be Rs. 43,200/-

Answer to Question No. 2 :

Computation of Total Income (AY 2011-12)

	Rs.	Rs.	Rs.
Gross Total Income			2,55,000
Less : Deductions u/s 80C to 80U :			
U/S 80C (Rs. 10,000 + Rs. 5,000)		15,000	
U/S 80 D :			
For himself	2,000		
For married son not dependent	NIL	2,000	
u/s 80G (Note 1)		34,400	51,400
Total Income			2,03,600

Computation of Tax Liability

	Rs.
Total Income	2,03,600
Total income subject to special tax rate (i.e. LTCG)	40,000
Total income subject to normal tax rate	1,63,600
Tax on Total income subject to special tax rate (i.e. on LTCG @ 20%)	8,000
Tax on Total income subject to normal tax rate	360
Income Tax	8,360
Add : Surcharge	NIL
	8,360
Add : Education Cess @ 2 %	167
	8,527
Add : SHEC @ 1%	84
Tax Payable (rounded-off)	8,610

Note 1 :

Deduction u/s 80G :

Donations to which qualifying limit do not apply :

Particulars	Amount Contributed	Rate of Deduction	Amount Deductible
National Defence Fund	5,000	100%	5,000
Prime Minister National Relief Fund	4,000	100%	4,000
Indira Gandhi Memorial Trust	5,000	50%	2,500
Delhi University	2,000	100%	2,000
Zila Saksharta Samiti	4,000	100%	4,000
Donation to National Blood Transfusion Council	2,000	100%	2,000
		Total (A)	**19,500**

Donations which are subject to qualifying limit :

Particulars	Amount Contributed	Qualifying Amount**	Rate of Deduction	Amount Deductible
Government for Family Planning	10,000	10,000	100%	10,000
Approved Charitable Institution	12,000	9,800	50%	4,900
	22,000	19,800	**Total (B)**	**14,900**

**Qualifying Amount shall be lower of the following :

1. 10% of Adjusted GTI :

	Rs.	Rs.
GTI		2,55,000
Less : (1) LTCG	40,000	
(2) Deduction u/s 80C to 80U (except 80G)	17,000	57,000
Adjusted GTI		1,98,000
10% of Adjusted GTI (1,98,000 x10%)		19,800

2. Amount Contributed : Rs. 22,000/-

Hence Net Qualifying Amount will be Rs. 19,800/- (i.e. lower of Rs. 19,800 & Rs. 22,000).

Therefore total deduction u/s 80G will be = Total (A)+Total (B) = Rs. 19,500+Rs. 14,900 = **Rs. 34,400/-**.

Note 2 :

Donation made in kind does not qualify for deduction u/s 80G. Hence donation of blankets is not considered for availing deduction u/s 80G.

Answer to Question No. 3 :

Computation of Total Income (AY 2011-12)

		Rs.
Income from House Property		1,30,000
Income from profession		70,000
STCG on sale of shares		20,000
LTCG on sale of land		30,000
Winning from races		3,500
Interest from bank deposit		12,000
Gross Total Income		2,65,500
Less : Deduction U/S 80C to 80U :		
U/S 80C	12,000	
U/S 80GG (Note 1)	24,000	36,000
Total Income		2,29,500

Note 1 : Deduction u/s 80GG :

Least of the following shall be deductible :

(a) Rs. 2,000 per month = Rs. 2,000 x 12 = Rs. 24,000/-
(b) 25% of ***Adjusted Gross Total Income*** = 25% of Rs. 2,03,500 = 50,875/-
(c) Rent Paid – 10% of ***Adjusted Gross Total Income*** = Rs. 60,000-10% of Rs. 2,03,500 = 39,650/-

Hence, amount deductible u/s 80GG = 24,000/-

Adjusted Gross Total Income for this purpose means :

	Rs.	Rs.
Gross Total Income		2,65,500
Less : (a) LTCG	30,000	
(b) STCG taxable u/s 111A	20,000	
(c) Deduction u/s 80C to 80U (except u/s 80GG)	12,000	62,000
Adjusted Gross Total Income		2,03,500

Computation of Tax Liability (AY 2011-12)

	Rs.
Total Income	2,29,500
Total income subject to special tax rate (STCG taxable u/s 111A – Rs. 20,000, LTCG – Rs. 30,000, Winning from races – Rs. 3,500)	53,500
Total income subject to normal tax rate	1,76,000
Tax on Total income subject to special tax rate (On STCG taxable u/s 111A @ 15%, on LTCG @ 20%, and on winning from races @ 30%)	10,050
Tax on Total income subject to normal tax rate	1,600
Income Tax	11,650
Add : Surcharge	NIL
	11,650
Add : Education Cess @ 2 %	233
	11,883
Add : SHEC @ 1%	117
Tax Payable	12,000

Answer to Question No. 4 :

Computation of Total Income

	Mr. Ram (Rs.)	Mr. Shyam (Rs.)
GTI	10,000	6,00,000
Less : Deduction u/s 80C to 80U :		
U/S 80DD	-------	1,00,000
U/S 80U	-------	-------
Total Income / Net Income	10,000	5,00,000

If deduction is claimed by Mr. Ram u/s 80U then no deduction will be available to Mr. Shyam u/s 80DD. Income of Mr. Ram is below taxable limit i.e. Rs. 1,60,000. Mr. Ram should not claim any deduction u/s 80U.

Answer to Question No. 5 :

Computation of Total Income

Name of the assessee : Mr. A
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.	Rs.
A. Income from salaries :			
Gross salary		2,70,000	
Less : Deductions u/s 16		Nil	2,70,000
B. Income from house property :			
Net Annual Value (self-occupied)		Nil	
Less : Interest on borrowed capital u/s 24 (b)		30,000	(30,000)
C. Income from other sources :			
Royalty	27,000		
Less : Allowable expenses	5,000	22,000	
Interest on bank deposits		13,000	35,000
Gross Total Income			2,75,000
Less : Deductions u/s 80C to 80U :			
U/S 80C ***(Note 1)***			1,00,000
Total Income			1,75,000

Computation of Tax Liability

	Rs.
Total Income	1,75,000
Tax on Total Income	1,500
Add : Education Cess @ 2%	30
	1,530
Add : SHEC @ 1%	15
Tax payable	1,545

Note 1 :

Deduction under Section 80C :

Gross Qualifying Amount :

LIP on his own life (maximum of 20% of sum assured i.e. 20% of Rs. 20,000)	4,000
LIP on the life of his wife	2,000
LIP on the life of his major son (not dependent on A)	2,500
LIP on the life of dependent brother (not eligible for rebate)	--------
Contribution to a Recognized Provident Fund	20,000
Amount deposited to a PPF Account	15,000
Contribution to ULIP	3,000
Repayment of housing loan taken from LICI (principal amount Rs. 23,000)	23,000
Subscription to units of Mutual Fund covered u/s 10 (23D)	45,000
Amount incurred on the education of children (14,000 + 7,000)	21,000
Gross qualifying amount	1,35,500

Amount of deduction u/s 80C :

Least of the following is deductible u/s 80C :
(a) Gross qualifying Amount = Rs. 1,35,500/-
(b) Rs. 1,00,000/-
Hence amount deductible u/s 80C = Rs. 1,00,000/-

DEDUCTIONS FROM GROSS TOTAL INCOME

Do yourself

PRACTICAL PROBLEMS

Problem No. 1 :

X (Age : 26 years), a resident individual, has income of Rs. 4,90,000 (i.e. Rs. 4,10,000 from a business in Delhi and Rs. 80,000 from a property in Bombay) during the previous year 2010-11. Find out his net income and tax liability for the assessment year 2011-12 taking into consideration the following payments :

Life Insurance premium on own life paid by X in cash on March 31, 2011 (Sum assured : Rs. 2,00,000)	40,000
Contribution towards pension fund of LICI	11,000
Mediclaim insurance premium on the life of dependent father (age 67 years) paid by cheque on April 20, 2010	19,000
Mediclaim insurance premium on the life of dependent handicapped brother paid by cheque on April 26, 2010	7,000
Medical treatment of dependent brother (being a person with disability)	5,000
Deposit with LICI for the maintenance of the dependent brother (being a person with disability).	20,000

Problem No. 2 :

X is a resident individual. His income from a business in Delhi is Rs. 7,86,000 for the assessment year 2011-12. During the previous year 2010-11, he makes the following payments :

Amount deposited on April 10, 2010 in an annuity plan of LICI	1,10,000
Mediclaim insurance premium paid on April 15, 2010 to National Insurance Co. on the life of his dependent resident father (age : below 65 years).	17,000
Mediclaim insurance premium paid on April 20, 2010 to New India Insurance Co. on the life of his dependant grandfather and grandmother (both are resident in India).	3,000
Expenditure incurred during the previous year 2010-11 on medical treatment of his dependant grandmother being a person with disability (expenditure is recovered from New India Insurance Company).	3,200
Expenditure incurred during September, 2010 on medical treatment of his father which is suffering from a disease specified in Rule 11DD (as certified by the doctor) (Rs. 47,000 is however, recovered from the New India Insurance Company.	48,000

Find out the net income of X for the assessment year 2011-12.

Problem No. 3 :

X (34 years), a resident individual, submits the following particulars of his income for the previous year 2010-11 :

Business Income	83,000
Interest on debentures	49,000
Long-term capital gains on transfer of gold	4,10,000
Short-term capital gain on sale of shares taxable under Section 111A	20,000

Other short-term capital gain	10,000
Contribution towards public provident fund	40,000
Payment of medical insurance premium on own life	3,000
Donation to the national trust for welfare of persons with Autism	4,000
Donation to the fund set up by the Gujarat Government for providing relief to victims of earthquake in Gujarat	3,000
Donation the Rajiv Gandhi Foundation	1,000
Donation to the Prime Minister's Drought Relief Fund	5,000
Donation to approved public charitable institution.	11,000
Donation to a poor boy for higher education	5,000
Donation of clothes to an approved institution	12,000
Donation to a charitable institution for construction of a rest house only for a particular religious community.	8,000

Determine the net income of X for the assessment year 2011-12.

Problem No. 4 :

X an Indian citizen, gives the following particulars of his income and expenditure relating to previous year 2010-11 :

Business income	1,05,500
Winning from lottery	4,500
Contribution towards public provident fund	10,000
Donation to the Prime Minister's National Relief Fund	11,000
Donation to the Government of India for promotion of family planning	3,000
Donation to the public charitable institution (being an approved institution for Section 80G).	12,000

Determine the net income of X for the assessment year 2011-12.

Problem No. 5 :

X a professional tax consultant, based at New Delhi furnishes the following particulars of his income / expenditure relevant for the assessment year 2011-12 :

Income from profession	6,70,000
Short term capital gain (covered by Section 111A)	4,000
Long term capital gain	10,000
Winning from a camel race	1,700
Winning from a horse race	2,000
Winning from lottery	1,600
Income from other sources	10,000
Payment of medical insurance premium	3,000
Payment of rent	80,000
Contributions towards public provident fund	70,000

Determine the amount deductible under Section 80GG and the net income for the A.Y. 2011-12.

Problem No. 6 :

X is totally blind. Determine his net income for the assessment year 2011-12 from the following :

Salary from a publishing house for working as an artist (gross)	1,96,000
Special allowance from the employer	7,000
Transport allowance for commuting between office and residence	19,200
Cash award received from the Government	10,000
Remuneration for setting question papers	2,000
Interest on debentures	71,000
Dividend from a foreign company	1,200
Collection charges of question papers setting remuneration	100
Contribution towards recognized provident fund	2,000
Payment of insurance premium on the life of Mrs. X (sum assured : Rs. 50,000)	2,500
Contribution to Prime Minister's National Relief Fund	1,800

Problem No. 7 :

X (age : 62 years) is an employee of a private limited company in Madras. He gets Rs. 15,000 per month as salary. Besides, the employer provides a furnished housing facility (house being owned by the employer) at confessional rate (fair rent of furnished house : Rs. 28,000; rent of furniture : Rs. 20,000; rent paid by X : Rs. 36,000); and medical allowance at the rate of Rs. 500 p.m.

Determine the net income of X for the assessment year 2011-12 after giving due consideration to the following particulars :

Long term capital gains in respect of commercial buildings	17,000
Long term capital gains in respect of shares (non-listed)	10,000
Income from horse race (gross)	4,000
Winning from lottery (gross)	75,000
Expenditure on recovery of lottery prize	16,000
Interest from IFCI	8,000
Interest paid on capital borrowed for the purpose of investment in bonds of IFCI	8,500
Interest on company deposit	48,200
Insurance premium paid on a joint life policy of X and Mrs. X (sum assured Rs. 1,00,000)	24,000
Mediclaim insurance on the life of X's father	14,000

Problem No. 8 :

X has computed his income under various heads for the previous year 2010-11 as under :

Income under the head salary		2,16,000
Income under the head house property		(10,000)
Profits and gains of business or profession		40,000
Capital gains :		
Short-term	20,000	
Long-term	30,000	50,000
Income from other sources :		
Winning of lotteries (gross)	10,000	
Interest on Government securities	12,000	22,000

X also submits the following information :

Deposit in PPF A/c	20,000
Payment made by cheque for mediclaim policy	6,000
Expenses on medical treatment of dependent son with disability	15,000
Re-payment of interest on loan taken from Canara Bank for pursuing approved higher education	25,000
Donations to :	
Prime Minister's Drought Relief Fund	1,000
National Fund for Communal Harmony	2,000
Jawaharlal Nehru Memorial Fund	2,000
Prime Minister's National Relief Fund	1,200
Government for Family Planning	17,000
Approved Charitable institution	3,000

Compute the total income and tax liability for the assessment year 2011-12.

Problem No. 9 :

Mr. Brown (a non-resident) supplies you the following information for computation of his total income for the year ended 31-03-2011 :

Interest on bank deposit	59,000
Dividend on shares of foreign companies received abroad	50,000
Interest from deposits in Indian companies (gross)	30,000
Income from horse race in India	17,500
Donation to Municipal Corporation of Delhi for family planning	15,000
Payment of mediclaim insurance premium by cheque on own life to New India Assurance Company	2,000
Expenses on medical treatment of physically handicapped minor son	6,000

Problem No. 10 :

X, an individual has made the following payments in the previous year 2010-11 :

Payment by cheque to GICI for insuring own health	6,000
Payment by cheque to GICI for insuring health of wife, not dependent on him	6,000
Payment by cheque to GICI for insuring health of dependent major child	6,000
Payment in ***cash*** to GICI for insuring health of dependent minor daughter	1,000
Payment by cheque to GICI for insuring health of dependent brother	1,000
Payment by cheque to GICI for insuring health of father, not dependent on him (aged 68 years and resident in India)	15,000
Payment by cheque to GICI for insuring health of dependent mother (aged 66 years and resident in India)	4,000
Payment by cheque to GICI for insuring health of dependent grandfather	1,000
Payment by cheque to GICI for insuring health of minor son, not dependent on him	1,000
Payment (per month) by cheque to LICI for group insurance of which he is member	100

You are required :

(a) Compute the deduction allowable u/s 80D.

(b) What will be the amount of deduction if X's parents are non-resident in India.

DEDUCTIONS FROM GROSS TOTAL INCOME

Do yourself

SOLUTIONS

Solution to Problem No. 1 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
Income from house property		80,000
Profit and gains from business or profession		4,10,000
Gross Total Income		4,90,000
Less : Deduction under Section 80C to 80U :		
U/S 80C (on LIP of own life)	40,000	
U/S 80CCC (Contribution towards pension fund of LICI)	11,000	
U/S 80D ***(Note 1)***	19,000	
U/S 80DD ***(Note 2)***	50,000	1,20,000
Total Income		3,70,000

Computation of Tax Liability

	Rs.
Total Income	3,70,000
Tax on Total Income	21,000
Add : EC @ 2%	420
	21,420
Add : SHEC @ 1%	210
Tax payable	21,630

Note 1 :

Mediclaim insurance premium paid on life of dependent father qualifies for deduction u/s 80D. However, Mediclaim insurance premium on the life of dependent handicapped brother does not qualify for deduction.

Note 2 :

The amount deductible u/s 80DD is a fixed deduction of Rs. 50,000/- irrespective of the actual expenditure incurred / amount deposited. Hence expenditure on medical treatment of dependent brother (Rs. 5,000) and deposit with LICI (Rs. 20,000) for his maintenance is not relevant.

Solution to Problem No. 2 :

Computation of total income

Name of assessee : X
P.Y. : 2009-10
A.Y. : 2010-11

	Rs.	Rs.
Profit and gains from business or profession		7,86,000
Gross Total Income		7,86,000
Less : Deduction under Section 80C to 80U :		
U/S 80CCC (for amount deposited in annuity plan of LICI)	1,00,000	
U/S 80D ***(Note 1)***	15,000	
U/S 80DD ***(Note 2)***	Nil	
U/S 80DDB (Rs. 48,000 – Rs. 47,000)	1,000	1,16,000
Total Income		6,70,000

Note 1 :

Mediclaim insurance premium paid on the life of his dependant grandfather and grandmother is not eligible for deduction.

Note 2 :

Dependant grandmother is not covered in the definition of 'dependent'.

Solution to Problem No. 3 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
Business Income		83,000
Interest on debentures		49,000
Long-term capital gains on transfer of gold		4,10,000
Short-term capital gain on sale of shares taxable under Section 111A		20,000
Other short-term capital gain		10,000
Gross Total Income		5,72,000
Less : Deduction under Section 80C to 80U :		
U/S 80C (for Contribution towards public provident fund)	40,000	
U/S 80D (for payment of medical insurance premium on own life)	3,000	
U/S 80G ***(Note 1)***	14,950	57,950
Total Income		5,14,050

Note 1 :

Donations to which qualifying limit do not apply :

Particulars	Amount Contributed	Rate of Deduction	Amount Deductible
National trust for welfare of persons with Autism	4,000	100%	4,000
Fund set up by the Gujarat Government for providing relief to victims of earthquake in Gujarat	3,000	100%	3,000
Rajiv Gandhi Foundation	1,000	50%	500
Prime Minister's Drought Relief Fund	5,000	50%	2,500
		Total (A)	10,000

Donations which are subject to qualifying limit :

Particulars	Amount Contributed	Qualifying Amount**	Rate of Deduction	Amount Deductible
Approved public charitable institution	11,000	9,900	50%	4,950
	11,000	9,900	**Total (B)**	4,950

**Qualifying Amount shall be lower of the following :

1. 10% of Adjusted GTI :

	Rs.	Rs.
GTI		5,72,000
Less : (1) LTCG	4,10,000	
(2) STCG taxable u/s 111A	20,000	
(3) Deduction u/s 80C to 80U (except 80G)	43,000	4,73,000
Adjusted GTI		99,000

10% of Adjusted GTI = 99,000 x 10% = 9,900/-

2. Amount Contributed : Rs. 11,000/-

Hence Net Qualifying Amount will be Rs. 9,900/- (i.e. lower of Rs. 9,900 & Rs. 11,000).

Therefore total deduction u/s 80G will be = Total (A) + Total (B) = Rs. 10,000 + Rs. 4,950 = **Rs. 14,950/-**

Note 2 :

Donation to following do not qualify for deduction u/s 80G :

- Donation to a poor boy for higher education
- Donation of clothes to an approved institution
- Donation to a charitable institution for construction of a rest house only for a particular religious community.

Solution to Problem No. 4 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
Business Income		1,05,500
Winning from lottery		4,500
Gross Total Income		1,10,000
Less : Deduction under Section 80C to 80U :		
U/S 80C (for Contribution towards public provident fund)	10,000	
U/S 80G ***(Note 1)***	17,500	27,500
Total Income		82,500

Note 1 :

Donations to which qualifying limit do not apply :

Particulars	Amount Contributed	Rate of Deduction	Amount Deductible
Prime Minister's National Relief Fund	11,000	100%	11,000
		Total (A)	11,000

Donations which are subject to qualifying limit :

Particulars	Amount Contributed	Qualifying Amount**	Rate of Deduction	Amount Deductible
Government of India for family planning	3,000	3,000	100%	3,000
Approved public charitable institution	12,000	7,000	50%	3,500
	15,000	10,000	**Total (B)**	6,500

**Qualifying Amount shall be lower of the following :

1. 10% of Adjusted GTI :

	Rs.	Rs.
GTI		1,10,000
Less : (1) LTCG	Nil	
(2) STCG taxable u/s 111A	Nil	
(3) Deduction u/s 80C to 80U (except 80G)	10,000	10,000
Adjusted GTI		1,00,000

10% of Adjusted GTI = 1,00,000 x 10% = 10,000/-

2. Amount Contributed : Rs. 15,000/-

Hence Net Qualifying Amount will be Rs. 10,000/- (i.e. lower of Rs. 10,000 & Rs. 15,000).

Therefore total deduction u/s 80G will be = Total (A) + Total (B) = Rs. 11,000 + Rs. 6,500 = **Rs. 17,500/-**

Solution to Problem No. 5 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
Income from profession		6,70,000
Short term capital gain (covered by Section 111A)		4,000
Long term capital gain		10,000
Winning from a camel race		1,700
Winning from a horse race		2,000
Winning from lottery		1,600
Income from other sources		10,000
Gross Total Income		6,99,300
Less : Deduction under Section 80C to 80U :		
U/S 80C (for Contribution towards public provident fund)	70,000	
U/S 80D (for payment of medical insurance premium)	3,000	
U/S 80GG ***(Note 1)***	18,770	91,770
Total Income		6,07,530

Note 1 : Deduction u/s 80GG :

Least of the following shall be deductible :

(a) Rs. 2,000 per month = Rs. 2,000 x 12 = Rs. 24,000/-

(b) 25% of ***Adjusted GTI*** = 25% of Rs. 6,12,300 = 1,53,075/-

(c) Rent Paid – 10% of ***Adjusted GTI*** = Rs. 80,000 – 10% of Rs. 6,12,300 = 18,770/-

Hence, amount deductible u/s 80GG = 18,770/-

Adjusted GTI for this purpose means :

	Rs.	Rs.
Gross Total Income		6,99,300
Less : (a) LTCG	10,000	
(b) STCG taxable u/s 111A	4,000	
(c) Deduction u/s 80C to 80U (except u/s 80GG)	73,000	87,000
Total Income		6,12,300

Solution to Problem No. 6 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

		Rs.	Rs.
A. Income from salaries :			
Salary from a publishing house for working as an artist (gross)		1,96,000	
Special allowance from the employer		7,000	
Transport allowance for commuting between office and residence (Rs.19,200 – Rs. 1,600 x 12)		------	2,03,000
B. Income from other sources :			
Cash award received from the Government ***[Exempt u/s 10 (17A)]***		------	
Interest on debentures		71,000	
Dividend from a foreign company		1,200	
Remuneration for setting question papers	2,000		
Collection charges of question papers setting remuneration	100	1,900	74,100
Gross Total Income			2,77,100
Less : Deduction under Section 80C to 80U :			
U/S 80C (for Contribution towards RPF and payment of insurance premium)		4,500	
U/S 80G		1,800	
U/S 80U (X is a person with severe disability because he is ***totally*** blind)		1,00,000	1,06,300
Total Income			1,70,800

Solution to Problem No. 7 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
A. Income from salaries :		
Basic salary (Rs. 15,000 x 12)	1,80,000	
Medical allowance (Rs. 500 x 12)	6,000	
Value of furnished accommodation provided at concessional rate [15% of (Rs. 1,80,000 + Rs. 6,000) + Rs. 20,000 – Rs. 36,000]	11,900	1,97,900
B. Capital gains :		
Long term capital gains in respect of commercial buildings	17,000	
Long term capital gains in respect of shares (non-listed)	10,000	27,000
C. Income from other sources :		
Income from horse race (gross)	4,000	

Winning from lottery (gross)	75,000		
Expenditure on recovery of lottery prize (not deductible)	------	75,000	
Interest from IFCI	8,000		
Interest paid on capital borrowed for investment in bonds of IFCI	8,500	(500)	
Interest on company deposit		48,200	1,26,700
Gross Total Income			3,51,600
Less : Deduction under Section 80C to 80U :			
U/S 80C (for payment of LIP, restricted to 20% of sum assured)		20,000	
U/S 80D (for mediclaim insurance on the life of father)		14,000	
U/S 80GG ***(Note 1)***		6,940	40,940
Total Income			3,10,660

Note 1 : Deduction u/s 80GG :

Least of the following shall be deductible :

(a) Rs. 2,000 per month = Rs. 2,000 x 12 = Rs. 24,000/-

(b) 25% of ***Adjusted GTI*** = 25% of Rs. 2,90,600 = 72,650/-

(c) Rent Paid – 10% of ***Adjusted GTI*** = Rs. 36,000 – 10% of Rs. 2,90,600 = 6,940/-

Hence, amount deductible u/s 80GG = 6,940/-

Adjusted GTI for this purpose means :

	Rs.	Rs.
Gross Total Income		3,51,600
Less : (a) LTCG	27,000	
(b) Deduction u/s 80C to 80U (except u/s 80GG)	34,000	61,000
Total Income		2,90,600

Note : Since employer has provided to the assessee an accommodation at concessional rate and ***not rent-free accommodation***, X can claim deduction u/s 80GG in respect of rent paid to the employer.

Solution to Problem No. 8 :

Computation of total income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
Income under the head salary		2,16,000
Income under the head house property		(10,000)
Profits and gains of business or profession		40,000
Capital gains :		
Short-term	20,000	
Long-term	30,000	50,000
Income from other sources :		
Winning of lotteries (gross)	10,000	
Interest on Government securities	12,000	22,000
Gross Total Income		3,18,000
Less : Deductions U/S 80C to 80U :		
U/S 80C (for deposit in PPF A/c)	20,000	
U/S 80D (for mediclaim insurance)	6,000	
U/S 80DD (for medical treatment of dependent son with disability)	50,000	

U/S 80E (for payment of interest on loan to Canara Bank)	25,000	
U/S 80G *(Note 1)*	22,550	1,23,550
Total Income		1,94,450

Computation of tax liability

	Rs.
Total Income	1,94,450
Total income subject to special tax rate (i.e. LTCG and winning of lotteries)	40,000
Total income subject to normal tax rate	1,54,450
Tax on Total income subject to special tax rate (i.e. on LTCG @ 20% and winning of lotteries @ 30%)	9,000
Tax on Total income subject to normal tax rate	Nil
Income Tax	9,000
Add : EC @ 2 %	180
	9,180
Add : SHEC @ 1%	90
Tax Payable (rounded-off)	9,270

Note 1 :

Donations to which qualifying limit do not apply :

Particulars	Amount Contributed	Rate of Deduction	Amount Deductible
National Fund For Communal Harmony	2,000	100%	2,000
Prime Minister's National Relief Fund	1,200	100%	1,200
Prime Minister's Drought Relief Fund	1,000	50%	500
Jawaharlal Nehru Memorial Fund	2,000	50%	1,000
		Total (A)	4,700

Donations which are subject to qualifying limit :

Particulars	Amount Contributed	Qualifying Amount**	Rate of Deduction	Amount Deductible
Government for family planning	17,000	17,000	100%	17,000
Approved charitable institution	3,000	1,700	50%	850
	20,000	18,700	**Total (B)**	17,850

**Qualifying Amount shall be lower of the following :

1. 10% of Adjusted GTI :

	Rs.	Rs.
GTI		3,18,000
Less : (1) LTCG	30,000	
(2) STCG taxable u/s 111A	Nil	
(3) Deduction u/s 80C to 80U (except 80G)	1,01,000	1,31,000
Adjusted GTI		1,87,000

10% of Adjusted GTI = 1,87,000 x 10% = 18,700/-

2. Amount Contributed : Rs. 20,000/-

Hence Net Qualifying Amount will be Rs. 18,700/- (i.e. lower of Rs. 18,700 & Rs. 20,000).

Therefore total deduction u/s 80G will be = Total (A) + Total (B) = Rs. 4,700 + Rs. 17,850 = **Rs. 22,550/-**

Solution to Problem No. 9 :

Computation of total income

Name of assessee : Mr. Brown
Residential Status : Non-resident
P.Y. : 2010-11
A.Y. : 2011-12

	Rs.	Rs.
Interest on bank deposit		59,000
Dividend on shares of foreign companies received abroad (Not taxable as accrued and received outside India)		--------
Interest from deposits in Indian companies (gross)		30,000
Income from horse race in India		17,500
Gross Total Income		1,06,500
Less : Deductions U/S 80C to 80U :		
U/S 80D (for mediclaim insurance premium)	2,000	
U/S 80DD (not available as Mr. Brown is a non-resident)	-------	
U/S 80G ***(Note 1)***	10,450	12,450
Total Income		94,050

Note 1 :

Particulars	Amount Contributed	Qualifying Amount**	Rate of Deduction	Amount Deductible
MCD for family planning	15,000	10,450	100%	10,450

**Qualifying Amount shall be lower of the following :

1. 10% of Adjusted GTI :

	Rs.	Rs.
GTI		1,06,500
Less : (1) LTCG	Nil	
(2) STCG taxable u/s 111A	Nil	
(3) Deduction u/s 80C to 80U (except 80G)	2,000	2,000
Adjusted GTI		1,04,500

10% of Adjusted GTI = 1,04,500 x 10% = 10,450/-

2. Amount Contributed : Rs. 15,000/-

Hence Net Qualifying Amount will be Rs. 10,450/- (i.e. lower of Rs. 10,450 & Rs. 15,000).

Solution to Problem No. 10 :

Solution to Part (a) :

Computation of deduction u/s 80D

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

Payment for insuring own health	6,000
Payment for insuring health of wife, not dependent on him (allowed even though not dependent on X)	6,000
Payment for insuring health of dependent major child	6,000
Payment for insuring health of dependent minor daughter (not allowed as paid in cash)	------

Payment for insuring health of dependent brother (not allowed as brother and sisters are not covered)	------
Payment for insuring health of father, not dependent on him (aged 68 years and resident in India) (allowed even if not dependent on X)	15,000
Payment for insuring health of dependent mother (aged 66 years and resident in India i.e. a senior citizen)	4,000
Payment for insuring health of dependent grandfather (not allowed as grandparents are not covered)	------
Payment for insuring health of minor son, not dependent on him (not allowed as not dependent on X)	------
Payment to LICI for group insurance (not eligible for deduction u/s 80D)	------
Total eligible amount	37,000

However deduction U/S 80D will be restricted to a maximum of Rs. 34,000 (Rs. 15,000 for others and Rs. 19,000 for parents)

Solution to Part (b) :

In this case as parents of X are non-resident in India, they will not be treated as senior citizens. Hence deduction u/s 80D will be restricted to a maximum of Rs. 30,000/- (Rs. 15,000 for others and Rs. 15,000 for parents).

SECTION 80-IB(10), 80-IB(11C), & 80-ID

Deduction to an undertaking engaged in developing and building housing projects [Section 80-IB(10)]

The amount of deduction in the case of an undertaking developing and building housing projects approved before the 31st day of March, 2008 by a local authority shall be hundred per cent of the profits derived in the previous year relevant to any assessment year from such housing project.

Essential conditions for claiming deduction

The benefit of deduction will be available if the following conditions are satisfied :

(a) **Time limit for completion of housing project :** Such undertaking has commenced or commences development and construction of the housing project on or after the 1st day of October, 1998 and completes such construction :

(i) in a case where a housing project has been approved by the local authority before the 1st day of April, 2004, on or before the 31st day of March, 2008;

(ii) in a case where a housing project has been, or, is approved by the local authority on or after the 1st day of April, 2004 but not later than the 31st day of March, 2005, within four years from the end of the financial year in which the housing project is approved by the local authority;

(iii) in a case where a housing project has been approved by the local authority on or after the 1st day of April, 2005, within five years from the end of the financial year in which the housing project is approved by the local authority.

Note : The date of completion of construction of the housing project shall be taken to be the date on which the completion certificate in respect of such housing project is issued by the local authority;

(b) **Size of project :** the project is on the size of a plot of land which has a minimum area of one acre.

(c) **Built-up area of each residential unit :** The residential unit has a maximum built-up area of one thousand square feet where such residential unit is situated within the city of Delhi or Mumbai or within twenty-five kilometres from the municipal limits of these cities and one thousand and five hundred square feet at any other place.

(d) **Built-up area of the shops and other commercial establishments :** The built-up area of the shops and other commercial establishments included in the housing project does not exceed three per cent of the aggregate built-up area of the housing project or five thousand square feet, whichever is higher.

(e) **Allotment of residential unit to non-individuals :** Not more than one residential unit.

(f) **Allotment of residential unit to individuals :** Not more than one residential unit. In a case where a residential unit in the housing project is allotted to an individual, no other residential unit in such housing project is allotted to any of the following persons, namely :

(i) the spouse or the minor children of such individual,

(ii) the Hindu undivided family in which such individual is the karta,

(iii) any person representing such individual.

Five year tax holiday to hospitals located in certain areas [Section 80-IB (11C)]

In order to encourage investments in hospitals in non-metro cities, Sub-section (11C) has been inserted in Section 80-IB with effect from A.Y. 2009-10.

Essential conditions for claiming deduction

The benefit of deduction will be available if the following conditions are satisfied :

(a) Location : The hospital is located anywhere in India, other than excluded area. The excluded shall mean (or in other words, the hospital should not be located in) an area comprising :

1. Greater Mumbai urban agglomeration;
2. Delhi urban agglomeration;
3. Kolkata urban agglomeration;
4. Chennai urban agglomeration;
5. Hyderabad urban agglomeration;
6. Bangalore urban agglomeration;
7. Ahmedabad urban agglomeration;
8. District of Faridabad;
9. District of Gurgaon;
10. District of Gautam Budh Nagar;
11. District of Ghaziabad;
12. District of Gandhinagar; and
13. City of Secunderabad;

Note : The area comprising an urban agglomeration shall be the area included in such urban agglomeration on the basis of the 2001 census.

(b) Construction : The hospital is constructed at any time during April 1, 2008 and March 31, 2013. For this purpose, a hospital shall be deemed to have been constructed on the date on which a completion certificate in respect of such construction is issued by the local authority concerned.

(c) Commencement : The hospital should start functioning at any time during April 1, 2008 and March 31, 2013.

(d) Number of beds : The hospital has at least 100 beds for patients.

(e) Municipal-bye-laws : The construction of the hospital is in accordance with the regulation or bye-laws of the local authority.

(f) Audit report : The taxpayer should submit an audit report in a prescribed form certifying that deduction has been correctly claimed.

(g) Return of income : Return of income should be submitted on or before the due date of submission of return of income as per Section 139 (1). If return is not submitted or return is submitted belatedly, deduction under this section is not available.

Amount of deduction

If the above conditions are satisfied, 100% of the profits and gains derived from the business of hospital shall be deductible for a period of 5 AYs, beginning with the initial AY (i.e., the AY relevant to the PY year in which the business of hospital starts functioning).

Five years tax holiday for Hotels located in specified districts having a World Heritage Site [Section 80-ID]

With a view to promoting tourism and to attract tourists to certain World Heritage Sites in India, the scope of section 80-ID has been extended with effect from the assessment year 2009-10.

Essential conditions for claiming deduction

The benefit of deduction will be available if the following conditions are satisfied :

(a) **Location** : The taxpayer shall be engaged in the business of hotel, located in the specified district having a World Heritage Site. Specified districts having a World Heritage Site are :

1. Agra (Uttar Pradesh)
2. Jalgaon (Maharashtra)
3. Aurangabad (Maharashtra)
4. Kancheepuram (Tamil Nadu)
5. Puri (Orissa)
6. Bharatpur (Rajasthan)
7. Chhatarpur (Madhya Pradesh)
8. Thanjavur (Tamil Nadu)
9. Bellary (Karnataka)
10. South 24 Parganas (West Bengal)
11. Chamoli (Uttarakhand)
12. Raisen (Madhya Pradesh)
13. Gaya (Bihar)
14. Bhopal (Madhya Pradesh)
15. Panchmahal (Gujarat)
16. Kamrup (Assam)
17. Goalpara (Assam)
18. Nagaon (Assam)
19. North Goa (Goa)
20. South Goa (Goa)
21. Darjeeling (West Bengal)
22. Nilgiri (Tamil Nadu).

(b) **Hotel rating :** Hotel for this purpose means a hotel of two-star, three-star or four-star category as classified by the Central Government.

(c) **Construction :** The hotel should be constructed at any time during April 1, 2008 and March 31, 2013.

(d) **Commencement :** The hotel has started or starts functioning at any time during April 1, 2008 and March 31,2013.

(e) **Formation :** The aforesaid business is not formed by the splitting up, or the reconstruction, of a business already in existence.

(f) **New plant and machinery :** The aforesaid business is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

(g) **Audit report :** The taxpayer should submit an audit report in a prescribed form certifying that deduction has been correctly claimed.

(h) **Return of income :** Return of income should be submitted on or before the due date of submission of return of income as per Section 139 (1). If return is not submitted or return is submitted belatedly, deduction under this section is not available.

🕮 Amount of deduction

If the above conditions are satisfied, 100% of the profits and gains derived from the business of hotel shall be deductible for a period of 5 AYs, beginning with the initial AY (i.e., the AY relevant to the PY year in which the business of hotel starts functioning).