Deductions-1

The aggregate of income computed under each head, after giving effect to the provisions for clubbing of income and set off of losses, is known as "Gross Total Income".

In computing the total income of an assessee, certain deductions are permissible under sections 80C to 80U from Gross Total Income.

These deductions are however not allowed from the following incomes although these incomes are part of Gross Total Income:

(*a*)Long-term capital gains.

(*b*)Short-term capital gain covered under section 111A.

(*c*)Winnings of lotteries, races, etc.

(*d*)Incomes of a Non resident taxable at special rates.

Basic rules of deductions
[Sections 80A/80AB/80AC]

1. Deductions **cannot exceed** Gross Total Income.
2. Deduction not allowed to members if allowed to AOP/BOI.
3. Deduction should be **claimed by assessee**.
4. Assessee's duty to place relevant material.
5. Deduction to be allowed in respect of net income included in Gross Total Income.
6. Benefits of certain deductions **not to be allowed in some cases** where return is not filed within the specified time limit.

Deduction in respect of Life Insurance Premium, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.
[Section 80C]

Deduction allowed only to: (i) an Individual; or
(*ii*) A Hindu Undivided Family.

Deduction: **Amount invested or Rs. 1, 00,000 whichever is less**

Amount to be invested in following:

(*i*)Any sum paid by an individual to effect or to keep in force insurance **on the life** of:

(*a*)An individual himself,

(*b*)his/her spouse, and

(*c*)Any child of such individual.

In the case of Hindu Undivided Family the premium should be paid on the life of any member of the family.

(*ii*)any payment made by the *individual* only to effect or keep in force a contract of **a *non-commutable* deferred annuity** on the life of: (*a*) an individual himself, (*b*) his/her spouse, and (*c*) any child of such individual;

(*iii*)Any contribution to mutual fund specifies u/d 10(23D)

(*iv*)Any contribution by the **employee** towards a statutory provident fund or recognised provident fund;

(*v*)Any contribution to a public provident fund;

(*vi*)Any contribution by an **employee** to an approved superannuation fund;

(*vii*)Any subscription to NSS;

(*viii*)Any subscription to National Savings Certificates;

(*ix*)Any contribution in the ULIP;

(*x*)Any sum paid by *an* **individual** as tuition fees provided following conditions are satisfied:

(1)Such sum should have been paid as tuition fees excluding any payment towards development fees or donation or payment of similar nature.

(2)It should have been paid at the time of admission or thereafter.

(3)It is paid to any university, college, school or other educational institution **situated within India**.

(4)It is paid for the purpose of **full-time education.**

(5) It is paid for **any two children** of such individual.

(*xi*)Any payment for purchase or construction of a residential house property or repayment of loan taken for the same (Principal amount only), the income from which is chargeable to tax under the head 'Income from house property'.

(*xii*)Any sum deposited in a term deposit for a fixed period of not less than 5 years with a scheduled bank;

(xiii)Any subscription to notified bonds of NABARD

(xiv) Deposit in senior citizen saving scheme.

(xv) 5 year time deposit in Post Office.

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

Persons covered an individual assessee

Conditions.

- It is allowed in respect of any ***amount paid or deposited*** in the previous year by such individual to effect or keep in force a contract for any annuity plan of *LIC or any other insurer* for receiving pension from the fund set up by LIC or any other insurer referred to in section 10(23AAB).
- The amount is paid out of his income chargeable to tax.

Deduction: The whole of the amount paid or deposited or Rs. 1, 00,000, whichever is less.

Deduction in respect of contribution to pension scheme of Central Government or any other employer [Section 80CCD]

Persons Covered An individual who is an employee.

The deduction is allowed on account ofð

(1)Any amount not exceeding 10% of salary of the previous year paid or deposited by the employee in his account under the notified pension scheme;

(2)Any amount contributed by the employer to such pension scheme not exceeding 10% of the salary of the employee.

NOTE: The aggregate amount of deduction under section 80C, section 80CCC and section 80CCD shall not, in any case, exceed Rs. 1, 00,000. [Section 80CCE]

Deduction in respect of Medical Insurance premium [Section 80D]

Persons Covered An individual or HUF

Conditions

- It is allowed in respect of any sum paid in the previous year to GIC or any other insurer, towards medical insurance premium on the health of the following:

(*a*) **In the case of an individual**: (*i*) his own health;

(*ii*) The health of the spouse;

(*iii*) The health of parents; (***whether dependent or not***)

(*iv*) The health of dependent children of the assessee.

(*b*)**In the case of an HUF** ð any member of the family.

- Such insurance should be in accordance with a scheme framed in this behalf by
  (*a*) GIC and approved by the Central Government or
  (*b*) Any other insurer and approved by the IRDA.
- The payment should be made *by him by* ***any mode of payment other than cash***.

Deduction:

In case of *an individual* ð

(*a*)For himself or his spouse and dependent children	-	Rs. 15,000
(*b*)For parent or parents (whether dependent or not)	-	Rs. 15,000.
In case of *a Hindu undivided family*	-	Rs. 15,000.

Additional deduction of Rs. 5,000 is allowable in case of a senior citizen.

6. Deduction in respect of maintenance including medical treatment of a dependant who is a person with disability [Section 80DD]

Persons covered an individual or a HUF **who is resident in India**

Conditions

- Deduction is available if the assessee has during the previous year:

(*a*)Incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of a **dependant**, being **a person with disability**; or

(*b*)Paid or deposited any amount, under any scheme framed by the LIC or any other insurer or UTI and which is approved by the CBDT.

- The assessee shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner, along with the return of income under section 139.

Deduction: Rs. 50,000 irrespective of actual expenditure incurred/amount deposited or

Rs. 1, 00,000 where such dependant is a person with severe disability.

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

Persons Covered an individual or a HUF **who is resident in India**

Conditions

- Deduction is allowed in respect of any expenditure ***actually* incurred** for the medical treatment of the following persons for such disease or ailment as may be specified in the rules made in this behalf by the Board:

In the case of individual	ð	for himself or a dependant
In the case of HUF	ð	for any member of the HUF

- The assessee should furnish a certificate in the prescribed form from a specialist doctor working in a Government hospital.

Deduction:

Amount actually paid or

Rs. 40,000 (Rs. 60,000 in case if senior citizen)

Whichever is less?

If any amount is received under insurance from the insurer or reimbursed by an employer for the medical treatment of the person, the amount so received shall be reduced from the deduction allowable under this section.

Deduction for interest paid on loan taken for pursuing higher education [Section 80E]

Persons Covered Individual assessee who must have taken a loan from:

(*a*)Any financial institution, or

(*b*) Any approved charitable institution.

Conditions

- The loan must have been taken for pursuing higher education. Such education must be of **assessee himself or any of his relatives**. Relative means the spouse and children of that individual.
- The deduction shall be allowed only in respect of any sum paid by him, in the previous year by way of **interest** on such loan.
- Where assessee is legal guardian of any children.

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

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

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

Persons Covered All assesses

Conditions

- The donation should be of a sum of money. ***Donations in kind do not qualify for deduction.***
- The donation should be made only to specified funds/institutions.
- The proper proof of payment is to be furnished along with return of income.

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

(*i*)National Defence Fund set up by the Central Government.

(*ii*)Prime Minister's National Relief Fund;

(*iii*)Prime Minister's Armenia Earthquake Relief Fund;

(*iv*)Africa (Public Contributions India) Fund;

(*v*)National Foundation for Communal Harmony;

(*vi*)University/Educational Institution of National Eminence approved by the prescribed authority;

(*vi*)Zila Saksharta Samiti constituted in any district;

(vii)The National Blood Transfusion Council or any State Blood Transfusion Council;

(*viii*)Any fund set up by a State Government to provide medical relief to the poor;

(i*x*)The Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund;

(*x*)National Illness Assistance Fund;

(*xi*)The Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund in respect of any State or Union Territory, as the case may be;

(*xii*)National Sports Fund set up by the Central Government;

(*xiii*)National Cultural Fund set up by the Central Government;

(*xiv*)Fund for Technology Development and Application, set up by the Central Government;

(*xv*)National Trust for Welfare of persons with Multiple Disabilities;

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

(*i*) Jawaharlal Nehru Memorial Fund;

(*ii*)Prime Minister's Drought Relief Fund;

(*iii*)National Children's Fund;

(*iv*)Indira Gandhi Memorial Trust;

(*v*)Rajiv Gandhi Foundation.

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

(*i*)Donation to Government or any approved local authority, institution or association to be utilised for promoting family planning.

(*ii*)any sums paid by a **company** as donations to Indian Olympic Association or to any other notified association or institution forð

(*a*)the development of infrastructure for sports and games; or

(*b*)the sponsorship of sports and games, in India.

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

(*i*)Donation to Government or any approved local authority, institution or association to be utilised for any charitable purpose other than promoting family planning.

(*ii*)Any other fund or institution which satisfies the conditions of section 80G (5).

(*iii*)To any authority constituted in India by or under any law for satisfying the need for housing accommodation or for the purpose of planning development or improvement of cities, towns and villages or for both.

(*iv*)To any corporation established by the Central or any State Government for promoting interests of the members of a minority community.

(*v*)Any notified temple, mosque, gurdwara, church or other place notified by the Central Government to be of historic, archaeological or artistic importance, for renovation or repair of such place.

For applying qualifying limit, all donations made to funds/institutions covered under (C) and (D) above shall be aggregated and the aggregate amount shall be limited to 10% of Adjusted Gross Total Income.

***Adjusted Total Income*:** Adjusted Total Income means the

Gross Total Income

Less Long-term capital gains

Less Short-term capital gains u/s 111A

Less Deduction permissible under chapter VI-A excepting deduction u/s 80G;

***Deduction*:** The quantum of deduction shall be the aggregate of the deductions permissible under clauses (A), (B), (C) and (D).

Deductions in respect of rent paid [Section 80GG]

Persons covered an individual who is

- either a self-employed person or
- If he is an employee, he is neither entitled to any HRA nor a rent-free accommodation.

Other conditions

(1) The individual, his or 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 such an assessee ordinarily resides or at the place where he works or carries on his business or profession.

(2) Such individual should fulfill such other conditions or limitations as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations.

Deduction: The deduction shall be the minimum of the following amounts:

(*i*)Excess of rent paid over 10% of 'Adjusted Total Income';

(*ii*)25% of the "Adjusted Total Income";

(*iii*)Rs. 2,000 per month.

Adjusted Total Income: Adjusted Total Income means the

GTI ï LTCG ï STCG u/s 111A ï Deduction under chapter VI-A (except section 80GG)

Deduction in respect of certain donations for scientific research or rural development [Section 80GGA]

The deduction is available to ***a non-business assessee*** for payments made to the following institutions:

(*i*)to an approved scientific research association, university, college or institution for scientific research;

(*ii*)to an approved university, college or institution for research in social science or statistical research;

(*iii*)to notified rural development fund or to the notified National Urban Poverty Eradication Fund.

(*iv*)to a public sector company or a local authority, or to an association or institution approved by the National Committee, for carrying out any eligible project or scheme.

Deduction: 100% of the sum paid to the above institutions.

Deduction in respect of contributions given by companies to political parties

[Section 80GGB]

Any sum contributed by an ***Indian company*** in the previous year to any political party shall be allowed as deduction while computing its total income.

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

Any amount of contribution to political parties an assessee being any person, except

- local authority and
- every artificial juridical person wholly or partly funded by the Government

Shall be allowed as deduction which computing the total income of such person.

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

Persons Covered All assesses

Conditions The business should of collecting and processing or treating of bio-degradable waste for:

(*i*) Generating power, or

(*ii*) Producing, bio-fertilizers, bio-pesticides or other biological agents, or

(*iii*) Producing bio-gas, or

(iv) Making pellets or briquettes for fuel, or

(*v*) Organic manure,

A deduction under section 80JJA shall be allowed.

Deduction: The whole of such profits or gains shall be allowed as a deduction for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which such business commences.

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

Persons Covered **Resident Individual** who is an author or co-author of a book

Conditions - The book should be a work of **literary, artistic or scientific nature**.
- The income must be derived by him in the **exercise of his profession**.

Deduction 100% of royalty or Rs. 3, 00,000, whichever is less.

Royalty in excess of 15% of the value of book sold during P.Y. shall be ignored.

Income from outside India Deduction is restricted to the amount brought into India

- in convertible foreign exchange
- Within a period of 6 months from the end of the previous year or within such further period as the competent authority may allow.

Certificates to be furnished Deduction allowed only if certificate from publisher is submitted along with the return of income.

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

Persons Covered **Resident Individual** who is a patentee or co-patentee

Conditions

The patent should be registered on or after 1-4-2003 under the Patents Act, 1970.

The income must be derived by him in the **exercise of his profession**.

Deduction

100% of such royalty income or Rs. 3, 00,000, whichever is less.

Income from outside India

Deduction is restricted to the amount brought into India

- in convertible foreign exchange
- Within a period of 6 months from the end of the previous year or within such further period as the competent authority may allow.

Certificates to be furnished

Deduction allowed only if certificate by the prescribed authority is submitted along with the return of income.

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

Persons Covered **Resident Individual** who is a person with disability

Essential conditions

He is certified by the medical authority to be a person with disability, *at any time during the previous year*.

Quantum of deduction: Rs. 50,000 in case of a person with disability & 1,00,000 With Severe disability.