# DEDUCTIONS [SEC 80C TO 80U]

**Deductions from Gross Total Income are *not allowed* from the following incomes:**

1. Long Term Capital Gain
2. Short Term Capital Gain u/s 111A
3. Winning from lotteries, horse races etc.

**Sec 80C - Deductions for Life Insurance Premium, Provident Fund etc.**

Deduction u/s 80C is allowed *only to individual or HUF*, up to a *maximum limit of Rs. 1, 00,000* and the deduction is allowed only when the amount has *actually been paid* by the assessee.

**Following amounts paid or deposited are allowed as deduction u/s 80C:**

- Any sum paid by an individual as *Life insurance premium* on life of himself, spouse and children or paid by an HUF for any member of his family.
  However premium paid in excess of *20% of the capital sum assured* shall be ignored.
- Contribution to *statutory provident fund or recognized provident fund*
- Contribution to *superannuation fund*
- Contribution/subscription to *PPF, NSC, NSS, ULIP, ELSS,*
- *Fixed Deposit* with any schedule bank for at least *5* years
- Subscription to notified *bonds of NABARD*
- Payment of *tuition fees* (excluding development fees or donation etc) for maximum two children for full time education to university, college, school or other educational institution situated in India.
- Repayment of *principal amount of loan* taken for *purchase/construction of residential house property* from Central/State Govt, Bank, LIC, National Housing Bank or from employer( where employer is statutory corporation, public company, university, college, or local authority or co-operative society)
- Payment of *stamp duty* for the purpose of transfer of residential house property to the assessee.

- Amount invested in *deposit scheme* of public company engaged in *infrastructure facility* or approved *mutual fund*.
- Any sum deposited in an account under the *Senior Citizens Saving Scheme.*
- Any sum deposited as *five years time deposit* in an account under the *Post Office Time Deposit.*

**[Sec 80CCC] – Contribution to Certain Pension Funds**

Deduction is allowed for payment made by *individual* towards *annuity plan* of insurance company for *receiving annuity or pension* and it is allowed up to a maximum limit of *Rs. 1,00,000.*

**[Sec 80CCD] – Contribution to Pension Scheme of Central Government**

Deduction is allowed for contribution made by *individual (whether salaried or self-employed)* towards notified pension scheme, but maximum up to a *limit of 10% of Salary or Gross Total Income* as the case may be.

Employee is *also* allowed deduction of the amount which is *contributed by the employer* but up to a *maximum limit of 10% of employee salary*. (Salary includes Basic Pay and Dearness Allowance, if it forms part of retirement benefit).

Amount received from such pension fund is taxable at the time of receipt.

**[Sec 80CCE] – Limit on deductions u/s 80C, 80CCC and 80CCD**

The aggregate amount of deduction u/s 80C, 80CCC and 80CCD (except employer contribution) shall not, in any case, exceeds Rs. *1,00,000.*

**[Sec 80CCF] – Subscription to long term infrastructure bonds.**

Deduction is allowed to an *individual/HUF* for payment towards subscription to *long-term infrastructure bonds* as notified by Central Government, but up to a maximum limit of *Rs. 20,000*

**[Sec 80D] – Deduction in respect of medical insurance premium**

Deduction is allowed to an *individual/HUF* for payment towards *Medical Insurance Premium* or to any contribution made to the Central Government Health Scheme) by any mode *other than cash.*

**Quantum of deduction:**

- Maximum Rs. *15000* (For insurance of Individual, Spouse, Dependent Children) or Rs. *20000* in case of senior citizen, and
- Maximum Rs. *15000* (For insurance of Parents) or *Rs. 20000 if parents are senior citizen.*

**[Sec 80DD] – Deduction in respect of maintenance including medical treatment of a dependent who is a person with disability**

Deduction is allowed to a *resident individual/HUF* for payment towards *Medical treatment or training and rehabilitation of a dependent relative who is a person with disability*. Deduction is also allowed for payment towards deposit in a scheme for receiving annuity or lump sum amount for the benefit of such disabled person.

**Relative**, for individual, shall include spouse, children, brothers, sisters and parents. Relative, for HUF, shall be its members.

**Quantum of deduction:** Deduction of *Rs. 50000*, *irrespective of the actual amount* spent or deposited. In case of *severe disability* deduction allowed shall be *Rs. 100000*, irrespective of the amount spent or deposited.

**[Sec 80DDB] – Deduction in respect of medical treatment, etc.**

Deduction is allowed to a *resident individual/HUF* for payment towards *Medical treatment* of specified disease of self or dependent relative or member of HUF.

Deduction is allowed for the amount actually spent or *Rs. 40000 (Rs. 60000* in case of senior citizen), whichever is less.

Deduction shall be reduced by the amount received from the insurer or employer. Further, a certificate from doctor of government hospital has to be furnished for claiming the deduction.

**[Sec 80E] – Deduction of interest paid on loan taken for pursuing higher education.**

Deduction is allowed to an *individual* for payment of *interest on loan* taken for pursuing *higher education* of himself or relative.

Loan must have been taken from *financial institutions* or *approved charitable institution*. There is no maximum limit prescribed under this section and also deduction can be claimed for *maximum period of 8 years* starting from the year in which payment of interest on the loan begins.

**Higher education** means any course of study pursued after passing Senior Secondary Examination.

**Relative** means spouse, children or the student for whom; he/she is the legal guardian.

**[Sec 80G] – Deduction in respect of donations**

Deduction is allowed to *all assessee* for payments made to specified funds/ institutions

Donation shall be sum of money; Donation in kind is not deductible. Further proof of payment shall be furnished with the return

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

- National Defence Fund set up by the Central Government
- Prime Minister's National Relief Fund
- Prime Minister's Armenia Earthquake Relief Fund
- Africa (Public Contributions - India) Fund
- National Foundation for Communal Harmony
- a University or any educational institution of national eminence as may be approved by the prescribed authority
- Chief Minister's Earthquake Relief Fund, Maharashtra

- any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat
- Zila Saksharta Samiti constituted in any district
- National Blood Transfusion Council
- any fund set up by a State Government to provide medical relief to the poor
- Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund
- Andhra Pradesh Chief Minister's Cyclone Relief Fund
- National Illness Assistance Fund
- Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund
- National Sports Fund set up by the Central Government
- National Cultural Fund set up by the Central Government
- Fund for Technology Development and Application set up by the Central Government National
- Trust for Welfare of Persons with mental retardation and multiple disabilities.

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

- Jawaharlal Nehru memorial fund
- Prime Minister's Drought Relief Fund
- National Children's Fund
- Indira Gandhi Memorial Trust
- Rajiv Gandhi Foundation

**Part C: Donations made to following are eligible for *100%* deduction *subject* to qualifying limit:**

- Donation to Government or any approved local authority, institution or association to be utilized for promoting family planning
- Donation made by a company to Indian Olympic Association or to any other notified institution, for development of infrastructure for sports in India.

**Part D: Donations made to following are eligible for *50%* deduction *subject* to qualifying limit:**

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- Donation to Government or any approved local authority, institution or association to be utilized for any other charitable purpose other than promoting family planning
- Donation to any approved charitable institution which satisfies the condition of Section 80G.
- Donation to any authority for satisfying the need for housing accommodation or any corporation for promoting interest of minority community.
- Donation to any notified temple, mosque, gurudwara, church or other place notified by the Central Government to be of historical, archaeological or artistic importance for renovation or repair of such place.

- **Donations under Part C and Part D above *shall not exceed* the qualifying limit.**
- **Qualifying limit means *10% of adjusted Gross Total Income.***

*Adjusted Gross Total Income means:*

Gross Total Income
Less: Long Term Capital Gains
Less: Short Term Capital Gains u/s 111A
Less: Deductions u/s 80C to 80U (Except 80G)

**[Sec 80GG] – Deduction for payment of rent**

Deduction is allowed to an *individual* in respect of *rent* paid for his *residential accommodation* subject to fulfillment of following conditions:

i. He is a *self employed* person or if he is an *employee,* he is *neither getting HRA nor rent free accommodation*
ii. Assessee, spouse, minor child or HUF *does not own* any residential accommodation in the city where he *lives* or where he *works*.

**The deduction in respect of rent paid is allowed to the extent of *least* of the following:**

i. Rent paid over 10% of Adjusted Gross Total Income
ii. 25% of the Adjusted Gross Total Income
iii. Rs. 2000 per month

*Adjusted Gross Total Income Means*

Gross Total Income
Less: Long Term Capital Gains
Less: Short Term Capital Gains u/s 111A
Less: Deductions u/s 80C to 80U (Except 80GG)

**[Sec 80GGA] – Deduction in respect of donations for scientific research or rural development**

Deduction is allowed to *all assessee* provided the assessee *does not have income under the head PGBP*. Deduction is allowed *equal to the amount of donation or contribution* given below:

i. Donation to notified *scientific research association* as per Sec 35
ii. Donation to notified institution for the purpose of *eligible project* as per Sec 35AC.
iii. Donation given to notified institution for *rural development* or to national urban poverty eradication fund as per Sec 35CCA

**[Sec 80GGB] – Deduction in respect of contribution given by companies to political parties**

Any sum contributed by *Indian Company* to *political party or electoral trust* is allowed as deduction.

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

Any sum contributed by *any person* (except local authority or artificial juridical person) to *political party or electoral trust* is allowed as deduction.

**[Sec 80JJA] – Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste**

Deduction is allowed to *all assessee* who are engaged in the *business of collecting/ processing or treating etc of bio-degradable waste* for generating power or to make pellets for fuel or to use it in organic manure or to use it in bio-gas plant etc.

Deduction is allowed equal to *100% profits* of such business for the *5 consecutive assessment years* beginning with the year in which such business is commenced.

**[Sec 80JJAA] – Deduction in respect of employment of new workmen**

Deduction is allowed to *Indian Company*, equal to *30% wages of the new regular workman for 3 assessment years* including the year in which the employment is provided.

Companies shall be engaged in the *manufacture or production of any article or thing* and accounts must be audited by Chartered Accountant and the report shall be furnished with the return of income.

**Wages qualifying for deduction:**

- In the case of *new company* – *wages* paid to workers *in excess of 100*
- In the case of *existing company* – wages paid to workers *in excess of 100*, *but* there should be *at least 10% increase in number of workers*, as employed on the last day of the preceding year.

**Regular Workmen does not include:**

i. Person employed in *managerial* or *administrative* capacity or
ii. Workman employed as a *casual* workman or *contract labour* or
iii. Any other workman employed for a period of *less than 300 days* during the previous year

**[Sec 80LA] – Deduction in respect of certain incomes of Offshore Banking Units and International Financial Services Centre**

**Deduction is allowed to:**

i. *A scheduled bank* having an offshore banking *unit in SEZ* or
ii. *Any bank*, incorporated under the laws of a *foreign country* and having an offshore banking *unit in SEZ* or
iii. A *unit* of International Financial Services Centre (IFSC)

**Quantum of deduction:**

i. For the *first 5* consecutive years: *100%* of such income beginning with the previous year in which
   a. the permission under the *Banking Regulation Act* was obtained or
   b. the permission under the *SEBI Act, 1992* was obtained or
   c. permission or registration under *any relevant law* was obtained
ii. For the *next 5 years*: *50%* of such income

**Conditions to be satisfied:**

i. A *<u>report of Chartered Accountant</u>*, certifying that the deduction has been correctly claimed, should be submitted with return of income
ii. Copy of *<u>permission obtained</u>* under the Banking Regulation Act, 1949 should be furnished along with the return of Income.

**<u>[Sec 80P] – Deduction in respect of income of co-operative societies</u>**

**Income from following activities shall be allowed *<u>100% deduction</u>* in case of co-operative societies:**

*i.* Income from business of *<u>banking</u>* or providing credit facilities to *<u>its members</u>*
*ii.* Income from *<u>cottage industry</u>*
*iii.* Income from *<u>marketing</u>* of the *<u>agricultural produce</u>* *<u>grown by its members</u>*
iv. Income derived from the *<u>purchase</u>* of agricultural implements, seeds, livestock or other articles intended for agriculture
*v.* Income from *<u>processing</u>* *<u>without</u>* the aid of *<u>power</u>*
vi. Income from *<u>fishing</u>* or allied services
*vii.* Income from *<u>supplying milk</u>*, oilseeds, fruits & vegetables *<u>raised by its members</u>* to *<u>federal milk co-operative society</u>*

**Co-operative societies engaged in a business other than those mentioned above shall not be liable to pay tax on:**

In case of *<u>consumer co-operative society</u>* -> maximum up to *<u>Rs. 1,00,000</u>* of income

In other *<u>cases</u>* -> maximum up to *<u>Rs. 50,000</u>* of income

**Deduction allowable to all co-operative societies:**

i. Any *<u>interest</u>*, *<u>dividend</u>* income derived from its investments with *<u>any other co-operative society</u>*
ii. Income derived from *<u>letting out</u>* of godown or warehouses for storage, processing or facilitating the marketing of commodities
iii. 100% of the income from interest on securities or income from house property in case of co-operative society not being (i) a housing society or (ii) an urban consumer society or (iii) society carrying on transport business or (iv) society engaged in the performance of any manufacturing operating with the aid of power, provided its GTI does not exceed Rs. 20000

**[Sec 80QQB] – Deduction in respect of Royalty Income etc of Books**

Deduction is allowed to *resident individual* for royalty income from assignment of copyright of books, maximum upto *Rs. 3,00,000.*

i. Books should be a work of literary, artistic or scientific nature. Books *shall not* include text books, diaries, commentaries, journals etc.
ii. Royalty in *excess of 15%* of the value of the books sold during the previous year shall be ignored. However, this condition is *not applicable* where the royalty is received in *lumpsum.*
iii. If royalty is received from *outside India*, then to claim deduction, it must be *brought* into India *within 6 months* from the end of the previous year in which such income is earned.

**[Sec 80RRB] – Deduction in respect of Royalty Income on patents**

Deduction is allowed to *resident individual*, who is a *patentee*, for royalty income of patents but maximum upto *Rs. 3,00,000.*

If royalty is received from *outside India*, then to claim deduction, it must be brought into India *within 6 months* from the end of the previous year in which such income is earned.

**Summary of the provisions.**

| Section | Particulars | Available to | Max Limit |
|---|---|---|---|
| 80C | Life Insurance Premium etc | Individual, HUF | 1,00,000 |
| 80CCC | Pension Funds of Insurance Co | Individual | 1,00,000 |
| 80CCD | Pension Scheme of Central Govt, | Individual | 1,00,000 |
| 80CCF | Long term Infrastructure bonds | Individual/HUF | 20,000 |
| 80D | Medical Insurance | Individual/HUF | 15000/20000 +(AND) 15000/20000 (for parents) |
| 80DD | Medical treatment or training etc of dependent relative(disabled) | Resident Individual/HUF | 50000 or 100000(if severe disability) |
| 80DDB | Medical treatment of self or dependent relative | Resident Individual/HUF | 40000 (60000 in case of senior citizen) |
| 80E | Interest on loan taken for higher education of self or relative | Individual | No Limit, but allowed up to 8 years. |
| 80G | Donations | All assessee | limits prescribed |
| 80GG | Rent paid for residence | Individual | Max up to Rs. 2000 pm. |
| 80GGA | Donations for Scientific research or rural development etc | All assessee (No PGBP income) | 100% |
| 80GGB | Contribution to political party or electoral trust | Indian Company | 100% |
| 80GGC | Contribution to political party or electoral trust | Any person | 100% |
| 80JJA | Business of collecting etc bio-degradable waste | All assessee | 100% of profits from such business for 5 years. |
| 80JJAA | Employment of new workmen | Indian Company | 30% of additional wages |
| 80LA | Income of Offshore Banking Units/ IFSC | Banks | 100% for 5 years and then 50% for next 5 years. |
| 80P | Income of co-operative societies | Co-operative Societies | 100% in some cases. |
| 80QQB | Royalty of Books | Resident Individual | 3,00,000 |
| 80RRB | Royalty of Patents | Resident Individual | 3,00,000 |