FAQ– Deduction for Interest on education Loan:

Q. Who is eligible for deduction us/ 80E?

A. Education loan should be taken by Individual (not to HUF or other type of Assessee)

Q. Is loan taken in name of any family member is eligible for deduction.

A. NO, Loan should be taken by Assessee **HIMSELF**. If loan is taken in name of any relative then he/she is not eligible for deduction.

Q. What is eligible amount?

A. The amount eligible for deduction is repayment of education loan interest.

Q. Which expenses are covered?

A. The loan includes not only tuition or college fees but also other incidental expenses for pursuing such studies like hostel charges, transport charges etc.

Q. How much amount is deductible?

A. There is no limit for amount of repayment of interest. Unlimited amount of interest can be deducted under this section. ***However there is no benefit available on the repayment of principal amount of the loan.***

Q. If loan is taken / money is borrowed from friend or relatives to repay the loan then same is deductible?

A. You can deduct the entire interest amount from your **Taxable Income** only.

Q. Can loan be taken for any education?

A. The loan should be taken for the purpose of higher education and

Q. Can higher studies be pursued outside India?

A. *There is* no condition that the course should be in India***.***

Q. For what tenure / how long deduction can be claimed?

A. This deduction is available in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the interest is paid by the assessee in full, whichever is earlier.

Initial Assessment year means previous year in which assessee starts paying the interest amount.

Q. What is meaning of higher education?

A. 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 authorised by the Central Government or State Government or local authority to do so;

Income tax department has added (W.e.f. A.Y. 2010-11) additional fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from any school, Board or University recognised by the Central or State Government will also be covered under deduction in respect of interest paid on loan taken for higher education.

Q. Can loan be taken from relatives?

A. The loan should be taken from any financial institution or any approved charitable institution. (in simple main Banks are covered). Interest on Loan taken from relatives or friends will not be eligible for deduction under section 80E.

Q. What is meaning of charitable / financial institution?

A. Aapproved charitable institution means an institution specified in, or, as the case may be, an institution established for charitable purposes and [approved by the prescribed authority] under clause (*23C*) of section 10 or an institution referred to in clause (*a*) of sub-section (2) of section 80G;

Financial institution means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

Q. Can loan be taken for relatives?

A. The loan should be taken for higher study of himself or studies of relative. Earlier to previous year 2006-07 the above deduction was available only for Interest on loan taken and repaid by the assessee for his own studies.

Q. Who is relative?

A. Relative under this section means the in relation to an individual, means the spouse and children of that individual *the student for whom the individual is the legal guardian.*

Earlier to previous year 2006-07 the above deduction is available for loan taken and repaid by the assessee himself for his studies only but after finance act 2007 ,"the deduction is available for the purpose of higher education of his relative also. *relative, in relation to an individual, means the spouse and children of that individual or the student for whom the individual is the legal guardian.*

There is no deduction available for repayment of principal ,this deduction is available to only for interest repayment.

This deduction is available for individual only and not for other type of assessee .

The loan should be for pursuing higher studies means loans taken not only for tuition or college fees but also loan taken other incidental expenses for pursuing such studies like hostel charges,transport charges etc etc is also covered under this deduction,

There is no condition that the course should be in India .

80 E (deduction on Interest on study loan) was available to parents and person himself but now after finance act 2009(2) it is available to Legal guardian also.