DAY 8-DEDUCTIONS FROM GROSS TOTAL INCOME

Practical

Mr. Dilip, aged 62 years, earned the following income during the previous year 2013-14:

1. Professional income (computed) - Rs. 7,50,000
2. House Property income (computed) - Rs. 3,15,000
3. Saving Bank Interest from ICICI Bank - Rs. 16,500

Compute the total income of Mr. Dilip for the previous year 2013-14 considering following payments:

(i) Life insurance premium paid in cash amounting to Rs. 25,000 for the insurance of life of his minor son suffering from disability as referred to in section 80U. The insurance policy was taken on 15.07.2013 and the sum assured is Rs. 1,25,000.

(ii) Life insurance premium paid by cheque of Rs. 25,000 for insurance of his life. The insurance policy was taken on 08.09.2012 and the sum assured is Rs. 2,00,000.

(iii) Life insurance premium of Rs. 38,000 paid for the insurance of life of his major son who is not dependent on him. The sum assured on life of his son is Rs. 1,75,000 and the life insurance policy was taken on 18.04.2011.

(iv) Paid interest of Rs. 15,000 on loan taken from bank for MBA course pursued by his son.

(v) A sum of Rs. 9,000 donated in cash National Children's Fund.

(vi) Contribution of Rs. 9,500 made in cash to an electoral trust.

(vii) Premium of Rs. 16,000 paid by cheque for health insurance of self and his wife.

(viii) Rs. 1,500 paid in cash for his health check-up and Rs. 4,500 paid in cheque for health check-up for his parents.

(ix) Investment in equity shares of Rs.54,000 in Rajiv Gandhi Equity Scheme.

Before, we go to the solution, lets comprehend amendment first.

1. Section 80C & 10(10D) [Effective from A.Y. 2014-15]

Deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.

(a) Under section 80C, deduction for insurance Premium *cannot exceed the maximum ceiling given below-*

In respect of policies issued	*Where the insurance is on the life of a person with disability or severe disability as referred to in section 80U or a person suffering from disease or ailment as specified under section 80DDB.*	*Where the insurance is on the life of any other person*
*Between **1.4.2003** and **31.3.2012***	*20% of sum assured**	*20% of sum assured**
*On or after **1.4.2012** but before **1.4.2013***	*10% of sum assured**	*10% of sum assured**
*On or after **1.4.2013***	*15% of sum assured**	*10% of sum assured**

**Sum assured means minimum amount assured under the policy without including any premium agreed to be returned and/or any benefit by way of bonus.*

(b) ***Similar amendment has been carried out in section 10(10D) not to grant exemption in case of Life Insurance Policy if insurance premium exceeds maximum ceiling given above.***

2. Section 80CCG[Effective from A.Y. 2014-15]

Deduction under section 80CCG to be available for three consecutive years <u>to a resident individual,</u> being a new retail investor having gross total income upto Rs.12 lakh, for investment in listed equity shares as well listed units of equity oriented fund as per notified scheme

(a) The conditions under section 80CCG for claiming deduction from A.Y.2014-15 are –

(1) The gross total income of the assessee for the relevant assessment year should be less than or equal to Rs.12 lakh.

(2) The assessee should be a new retail investor as per the requirement specified under the notified scheme.

(3) The investment should be in such listed equity shares or listed units of equity-oriented fund specified under the notified scheme.

(4) The minimum lock-in period in respect of such investment should be three years from the date of acquisition.

(5) Any other condition as may be prescribed.

(b) The deduction shall be allowed for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented fund were first acquired.

(c) The deduction is 50% of amount invested in listed equity shares or listed units of equity-oriented fund or Rs. 25,000, whichever is lower.

(d) If the resident individual, after having claimed such deduction, fails to comply with any of the conditions in any previous year, then, the deduction earlier allowed shall be deemed to be the income of the previous year in which he fails to comply with the condition.

3. Section 80D [Effective from A.Y. 2014-15]

Deduction under section 80D to be available in respect of contribution to CGHS and such other schemes within the overall limit specified thereunder

Deduction for expenditure on preventive health check-up is eligible for deduction under section 80D

Amended provisions of section 80D-The amended provisions of section 80D are given below—

	Individual		**HUF**
	Family	**Parents**	
• **For whose benefits payment can be made**	For the benefit of the assessee, spouse of the assessee and dependent children of the assessee	For the benefit of the parents of the assessee whether dependent or not	For the benefit of any member of family
• **Nature of payment**			
a. Medi-claim insurance premium	Eligible for deduction	Eligible for deduction	Eligible for deduction
b. Contribution made to Central Government Health Scheme ***or (From A.Y. 2014-15) such other scheme as may be notified by the Central Government in this behalf***	Eligible for deduction	NA	NA
c. Payment made on account of preventive health check-up **(applicable from the assessment year 2013-14 onwards)**	Eligible for deduction	Eligible for deduction	NA
• **Maximum amount of deduction**			
- **General deduction** [applicable in respect of (a), (b) and (c) given above]	Rs.15,000	Rs.15,000	Rs.15,000
- **Additional deduction** (applicable only in the case of medi-claim insurance premium when policy is taken on the life of a senior citizen)	Rs.5,000	Rs.5,000	Rs.5,000

Notes:

(i) **Payment on account of preventive health check-up of self, spouse, dependent children and parents shall not exceed Rs.5,000.**

(ii) **Payment should be made by any mode other than cash. However, payment on account of preventive health check-up can be made by any mode (including cash).**

4. Section 80G [Effective from A.Y. 2014-15]

Donation to National Children's Fund to qualify for 100% deduction

(i) Upto A.Y.2013-14, deduction was allowed at the rate of 50% in respect of donations made to the National Children's Fund.

(ii) Section 80G has been amended to allow a 100% deduction with effect from A.Y.2014-15.

5. Section 80GGB & 80GGC- [Effective from A.Y. 2014-15]

Cash donations to political parties and electoral trusts not to qualify for deduction

(i) As per section 80GGB, deduction is allowable in respect of contributions given by an Indian company to any political party or an electoral trust.

(ii) Likewise, under section 80GGC, deduction is allowable in respect of contributions made by any person, except local authority and every artificial juridical person wholly or partly funded by the Government, to any political party or electoral trust.

(iii) A proviso has been inserted in both these sections that ***"no deduction shall be allowed in respect of any sum contributed by way of cash."***

Handful summary:

In order to claim deduction under following sections, readers must consider following:-

Section No.	Particulars	Payment mode
80C	Life Insurance Premium, PPF, NSC etc	Any mode including cash
80D	Mediclaim Insurance Premium	Any mode other than cash
	Preventive Health Check Up	Any mode including Cash
80G	Donation	-Payment upto Rs. 10,000 then any mode including cash -If it exceeds Rs .10,000 then any mode other than cash
80 GGA	Donation to Scientific / Statistical / social research institutions etc.	-Payment upto Rs. 10,000 then any mode including cash -If it exceeds Rs .10,000 then any mode other than cash
80GGB / GGC	Contribution to Political Party / Electoral Trust	Any mode other than cash

Solution:

Computation of total income of Mr. Dilip for the Previous Year 2013-14

Particulars	**Rs.**	**Rs.**	**Rs.**
Professional Income (computed)			7,50,000
House Property Income (Computed)			3,15,000
Interest on saving bank deposit			16,500
Gross Total Income			**10,81,500**
***Less:* Deduction under Chapter VIA**			
Under section 80C			
Life insurance premium paid for life insurance of:			
- Son suffering from 80U restricted to 15% of Rs. 1,25,000	18,750		
- Self Rs.22,500 restricted to 10% of Rs. 2,00,000	20,000		
- major son Rs.38,000 restricted to 20% of Rs. 1,75,000	35,000	73,750	
Under 80CCG			
Investment in Rajiv Gandhi Equity Scheme: Here, GTI does not exceed Rs. 12 lacs, therefore, deduction is 50% of investment or Rs.25,000 whichever is lower		25,000	
Under section 80D			
Premium paid for health insurance of self and wife by cheque (Limit available upto Rs. 20,000 because Mr. Dilip is senior citizen)	16,000		
Payment made for health check-up:			
- self Rs. 1,500			
- His parents Rs. 4,500			
Rs. 6,000 restricted to	5,000	21,000	
Under section 80E			
For payment of interest on loan taken from bank for MBA course of his son		15,000	
Under section 80G			
Contribution to National Children's Fund (100% Deduction)[Donation in cash is allowed upto Rs.10,000]		9,000	
Under section 80GGC			
Contribution to electoral trust (Not deductible because it is made by cash)		Nil	
Under section 80TTA			
Interest on savings bank account Rs. 16,500 restricted to		10,000	1,53,750
Total Income			**9,27,750**