

DEDUCTIONS FROM GROSS TOTAL INCOME

Question 1

State with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (a) For grant of deduction under section 80-IB, filing of audit report in prescribed form is must for a corporate assessee; filing of return within the due date laid down in section 139(1) is not required. (2 Marks)(May 2007)
- (b) Filing of belated return under section 139(4) of the Income-tax Act, 1961 will debar an assessee from claiming deduction under sections 80-ID or 80-IE of the Act.

(2 Marks)(Nov 2008)

Answer

- (a) False

Section 80AC stipulates compulsory filing of return of income on or before the due date specified under section 139(1), as a pre-condition for availing the benefit of deduction, inter alia, under section 80-IB.

- (b) True

As per section 80AC, the assessee has to furnish his return of income on or before the due date specified under section 139(1), to be eligible to claim deduction under, inter alia, section 80-ID or 80-IE.

Question 2

Can a Primary Co-operative Agricultural and Rural Development Bank claim deduction under section 80P in respect of income derived from the business of banking? (2 Marks)(Nov 2007)

Answer

Sub-section (4) to section 80P provides that the provisions of section 80P shall not apply to any co-operative bank, other than, inter alia, a primary co-operative agricultural and rural development bank (PCARB). Thus, a PCARB is entitled to claim deduction under section 80P in respect of income derived from the business of banking.

Taxation

Question 3

Deduction under Section 80CCD is available only to individuals employed by the Central Government. Discuss the correctness of this statement. (2 Marks)(May 2008)

Answer

The deduction under section 80CCD is available to the individuals employed by the Central Government or any other employer. With effect from A.Y. 2010-11, the deduction has been extended to self-employed individuals also. Accordingly, the statement is incorrect.

Question 4

Mr. Prasad is the Karta of Hindu undivided family. The family declares gross total income Rs. 4,00,000 for the assessment year 2008-09. The gross total income includes taxable long term capital gain Rs. 65,000 and short term capital gain Rs. 35,000 which is taxable @ 10% under section 111A of the Income-tax Act, 1961. The details of HUF fund investment made during the year 2007-08 are:

	Rs.	Rs.
(i) Amount deposited in public provident fund in the name of members of HUF		10,000
(ii) Medical insurance premium paid by cheque –		
a) in the name of Karta	4,000	
(b) in personal name "Prasad"	5,000	9,000
(iii) Contribution made to –		
(a) Indira Gandhi Memorial Trust	7,000	
(b) Delhi University (declared as an institution of national eminence)	3,000	
(c) Zila Saksharta Samiti	5,000	
(d) An approved charitable institute	30,000	
(e) Government for the purpose of promoting family planning	10,000	
(f) Hanuman Temple in Mohalla	20,000	75,000

Compute the total income of HUF chargeable to tax for the Assessment year 2008-09.

(8 Marks)(Nov 2008)

The provisions of the Income-tax Act, 1961 relevant for Assessment Year 2010-11 should be taken into consideration while solving the question. Accordingly, the facts given above may be taken as relating to financial year 2009-10.

Deductions from Gross Total Income

Answer

Computation of Total Income of HUF for the A.Y. 2010-11

Particulars	Amount (Rs.)	Amount (Rs.)
Gross total income		4,00,000
Less : Deduction under section 80C to 80U		
(a) under section 80C on investment of HUF fund in PPF in the name of members of HUF	10,000	
(b) under section 80D		
Medical insurance premium paid by cheque		
(i) in the name of Karta	4,000	
(ii) in personal name "Prasad"	<u>5,000</u>	9,000
(c) under section 80G (as per working note 2)	30,550	49,550
Total income		<u>3,50,450</u>

Notes:

1. Medical insurance premium paid by cheque in the personal name of Mr. Prasad is also allowable under section 80D, since the premium payment has been made out of HUF funds.

2. Computation of deduction under section 80G

(a) Adjusted gross total income	Rs.	Rs.
Gross total income		4,00,000
Less : Taxable long term & short term capital gain	1,00,000	
Deductions u/s 80C to 80U except u/s 80G	19,000	1,19,000
		<u>2,81,000</u>
10% of adjusted gross total income		28,100
(b) Gross qualifying amount		
Donation to Indira Gandhi Memorial trust		7,000
Donation to Delhi University		3,000
Donation to Zila Saksharta Samiti (it is assumed that all the conditions for claiming deduction are satisfied)		5,000
Donation to approved Charitable Institute		30,000

Taxation

	Donation to Government for promoting family planning	10,000
		55,000
(c)	Net qualifying amount	Rs. Rs.
	Donation to Indira Gandhi Memorial trust	7,000
	Donation to Zila Saksharta Samiti	5,000
	Donation to Delhi University	3,000
	Donation to the following restricted to 10% of adjusted gross total income	
(i)	Government for promoting family planning is restricted to Rs.28,100 or Rs.10,000, whichever is lower	10,000
(ii)	Approved charitable institution is restricted to (Rs.28,100 – Rs.10,000) = Rs.18,100 or Rs.30,000, whichever is lower	18,100
		43,100
(d)	Deduction under section 80G	
	Donation to Indira Gandhi Memorial trust @ 50% of Rs. 7,000	3,500
	Donation to Delhi University @ 100%	3,000
	Donation to Zila Saksharta Samiti @ 100%	5,000
	Donation to Government for promoting family planning (100 % of Rs. 10,000)	10,000
	Donation to approved charitable institute (50% of Rs.18,100)	9,050
		30,550

Question 5

Briefly explain provisions of section 80U of the Income-tax Act, 1961, in respect of deduction available on permanent physical disability. (4 Marks) (Nov 2008)

Answer

- (i) Section 80U harmonizes the criteria for defining disability as existing under the Income-tax Rules with the criteria prescribed under the Persons with Disabilities (Equal

Deductions from Gross Total Income

Opportunities, Protection of Rights and Full Participation) Act, 1995.

- (ii) This section is applicable to a resident individual, who, at any time during the previous year, is certified by the medical authority to be a person with disability. A deduction of Rs.50,000 in respect of person with disability and Rs.1,00,000 in respect of a person with severe disability (having disability over 80%) is allowable under this section.
- (iii) The benefit of deduction under this section has also been extended to persons suffering from autism, cerebral palsy and multiple disabilities.
- (iv) The assessee claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the form and manner, as may be prescribed, alongwith the return of income under section 139, in respect of the assessment year for which the deduction is claimed.
- (v) Where the condition of disability requires reassessment, a fresh certificate from the medical authority shall have to be obtained after the expiry of the period mentioned in the original certificate in order to continue to claim the deduction.

Question 6

Mr. Abhik, an individual, made payment of health insurance premium to GIC in an approved scheme. Premium paid on his health is Rs. 10,000 and his spouse's health is Rs. 15,000 during the year 2008-09. He also paid health insurance premium of Rs. 25,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made by cash. Compute the amount of deduction under Chapter VI - A of the Act, available to Mr. Abhik from his gross total income for the assessment year 2009-10. (3 Marks)(June 2009)

The provisions of the Income-tax Act, 1961 relevant for Assessment Year 2010-11 should be taken into consideration while solving the question. Accordingly, the facts given above may be taken as relating to financial year 2009-10.

Answer

Mr. Abhik will be eligible to claim deduction under section 80D on payment of health insurance premium to GIC in a medical insurance scheme approved by the Central Government. The premium is paid otherwise than by way of cash and hence qualifies for deduction under section 80D. Therefore, the amount of deduction under section 80D would be –

Particulars	Amount (Rs.)
On health insurance premium paid on the health of himself and his spouse (Rs.10,000 + Rs.15,000 = Rs.25,000, but restricted to Rs.15,000)	15,000
On health insurance premium paid on the health of his father, Rs.25,000 but restricted to Rs.20,000 in the case of a parent, who is a senior citizen (whether dependent or not)	20,000
Total deduction under section 80D	35,000

Taxation

NOTE

[illegible]