

7

Deductions from Gross Total Income

Key Points			
Deductions in respect of payments			
Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80C	Individual or HUF	Contribution to PPF, Payment of LIC premium, etc. Sums paid or deposited in the previous year <ul style="list-style-type: none"> - Life insurance premium paid - Contribution to PPF, SPF, RPF and superannuation fund - Repayment of housing loan - Payment of tuition fees of children etc. 	₹ 1,50,000
80CCC	Individual	Contribution to certain pension funds Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.	₹ 1,00,000 Section 80CCE: Maximum permissible deduction under section 80C, 80CCC & 80CCD(1) is ₹ 1,50,000.
80CCD	Individuals employed by the Central Government or any other employer as well as self-employed individuals.	Contribution to Pension Scheme of Central Government An individual employed by the Central Government on or after 1.1.2004 or any other employer or any other assessee, being an individual, who has paid or deposited any amount in his account under a notified pension scheme.	In case of a salaried individual, deduction of own contribution under section 80CCD(1) is restricted to 10% of his salary. In any other case, deduction under section 80CCD(1) is restricted to 10% of gross total income.

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			<p>Further, the deduction under section 80CCD(1) cannot exceed ₹ 1 lakh.</p> <p>The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution under section 80CCD(2) would be restricted to 10% of salary. However, the limit of ₹ 1 lakh under section 80CCD(1) and ₹ 1.50 lakh under section 80CCE does not apply to deduction under section 80CCD(2).</p>
80CCG	Resident Individual, being a new retail investor	<p>Investment made under notified equity savings scheme</p> <p>Payment made for acquisition of listed equity shares or listed units of equity oriented fund by new retail investor in accordance with the scheme notified by the Central Government.</p> <p>For availing this deduction, gross total income of the individual \leq ₹ 12 lacs.</p> <p>Minimum lock in period is three years from acquisition date.</p> <p>The fixed lock-in period as per the Rajiv Gandhi Equity Savings Scheme, 2013 is from the date of purchase of eligible securities upto 31st March of the year immediately following the relevant financial year.</p>	<p>50% of the amount invested in such listed equity shares or listed units</p> <p>(or)</p> <p>₹ 25,000,</p> <p>whichever is lower.</p> <p>The deduction is available for three consecutive assessment years beginning with the assessment year in which equity shares or units were first acquired.</p>

80DD	Resident Individual or HUF	<p>Maintenance including medical treatment of a dependent disabled</p> <p>Any amount incurred for the medical treatment, training and rehabilitation of a dependent disabled</p> <p>and / or</p> <p>Any amount paid or deposited under the scheme framed in this behalf by the LIC or any other insurer or Administrator or Specified Company.</p>	<p>Flat deduction of ₹ 50,000.</p> <p>In case of severe disability (i.e. person with 80% or more disability) the flat deduction shall be ₹ 1,00,000.</p>				
80D	Individual and HUF	<p>Medical Insurance Premium</p> <p>(1) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of –</p> <table border="1" data-bbox="619 1088 986 1256"> <tr> <td data-bbox="619 1088 783 1189">in case of an individual</td> <td data-bbox="783 1088 986 1189">self, spouse and dependent children</td> </tr> <tr> <td data-bbox="619 1189 783 1256">in case of HUF</td> <td data-bbox="783 1189 986 1256">family member</td> </tr> </table> <p>(2) Contribution to CGHS of such other scheme as notified by Central Government.</p> <p>(3) Payment, including cash payment, for preventive health check up of himself, spouse, dependent children.</p> <p>(4) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.</p> <p>(5) Payment, including cash payment, for preventive health check up of parents.</p>	in case of an individual	self, spouse and dependent children	in case of HUF	family member	<p>Maximum ₹15,000 (₹ 20,000, in case the individual or his or her spouse is a senior citizen)</p> <div data-bbox="1082 1240 1334 1554" style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Maximum ₹ 5,000, in aggregate (subject to the overall individual limits of ₹ 15,000/ ₹ 20,000, as the case may be)</p> </div> <p>plus</p> <p>Maximum ₹15,000 (₹ 20,000, in case either or both of the parents are senior citizen)</p>
in case of an individual	self, spouse and dependent children						
in case of HUF	family member						

80DDB	Resident Individual or HUF	Deduction for medical treatment of specified diseases or ailments Amount paid for specified diseases or ailment		Actual sum paid or ₹ 40,000 (₹ 60,000, if the payment is for medical treatment of a senior citizen), whichever is less, <i>minus</i> the amount reimbursed from the insurance company or the employer.
		In case the assessee is an individual	For himself or his dependent spouse, children, parents, brothers or sisters	
		In case the assessee is a HUF	For any member of his family	
80E	Individual	Interest on loan taken for higher education Interest on loan should be taken from any financial institution or approved charitable institution. Such loan is taken for pursuing his higher education or higher education of his or her relative i.e., spouse or children of the individual.		The deduction is available for interest payment in the initial assessment year (year of commencement of interest payment) and seven assessment years immediately succeeding the initial assessment year or until the interest is paid in full by the assessee, whichever is earlier.
80EE	Individual	Interest on loan for acquisition of residential house property for self-occupation Conditions :		Interest payable on loan taken, subject to a maximum of ₹ 1 lakh (for A.Y.2014-15). [The amount of shortfall (i.e. the amount, if any, by which the deduction under this section for A.Y.2014-15 falls short of ₹ 1 lakh) would be allowed in A.Y.2015-16]
		1.	Loan sanctioned by financial institution between 1.4.2013 – 31.3.2014.	
		2.	Loan sanctioned ≤ ₹ 25 lakh	
		3.	Value of house property ≤ ₹ 40 lakh	
		4.	Assessee does not own any house property on the date of sanction of loan.	

80G	All assessees	<p>Donations to certain funds, charitable institutions etc. Prime Minister's National Relief Fund, Prime Minister's Drought Relief Fund, National Children's Fund, Rajiv Gandhi Foundation, Government or any approved local authority, institution for promotion of family planning Certain funds/institutions etc.</p> <p>Qualifying amount is calculated as follows: Step 1: Compute adjusted total income, i.e., the gross total income as reduced by the following:</p> <table border="1" data-bbox="580 1093 976 1397"> <tr> <td>1.</td> <td>Deductions under Chapter VI-A, except under section 80G</td> </tr> <tr> <td>2.</td> <td>Short term capital gains taxable under section 111A</td> </tr> <tr> <td>3.</td> <td>Long term capital gains taxable under section 112</td> </tr> <tr> <td>4.</td> <td>Income from Lotteries, Horse races etc.</td> </tr> </table> <p>Step 2: Calculate 10% of adjusted total income. Step 3: Calculate the actual donation, which is subject to qualifying limit Step 4: Lower of Step 2 or Step 3 is the maximum permissible deduction. Step 5: The said deduction is given first for donations qualifying for 100% deduction and thereafter, the balance for donations qualifying for 50% deduction.</p>	1.	Deductions under Chapter VI-A, except under section 80G	2.	Short term capital gains taxable under section 111A	3.	Long term capital gains taxable under section 112	4.	Income from Lotteries, Horse races etc.	<table border="1" data-bbox="1015 506 1323 1169"> <tr> <td colspan="2">There are four categories of deductions –</td> </tr> <tr> <td>(1)</td> <td>100% deduction of amount donated, without any qualifying limit</td> </tr> <tr> <td>(2)</td> <td>50% deduction of amount donated, without any qualifying limit</td> </tr> <tr> <td>(3)</td> <td>100% deduction of amount donated, subject to qualifying limit</td> </tr> <tr> <td>(4)</td> <td>50% deduction of amount donated, subject to qualifying limit.</td> </tr> </table> <p>No deduction shall be allowed for donation in excess of ₹ 10,000, if paid in cash.</p>	There are four categories of deductions –		(1)	100% deduction of amount donated, without any qualifying limit	(2)	50% deduction of amount donated, without any qualifying limit	(3)	100% deduction of amount donated, subject to qualifying limit	(4)	50% deduction of amount donated, subject to qualifying limit.
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80GG	Individual not in receipt of house rent allowance	Rent paid Least of the following is allowable as deduction: (1) 25% of total income; (2) Rent paid – 10% of total income (3) ₹ 2,000 p.m.	No deduction if any residential accommodation is owned by the assessee or his spouse or his minor child or his HUF at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession.
80GGB	Indian company	Contributions to political parties Any sum contributed by it to a political party or an electoral trust.	Actual contribution (otherwise than by way of cash)
80GGC	Any person, other than local authority and an artificial juridical person funded by the Government.	Contributions to political parties Amount contributed to a political party or an electoral trust.	Actual contribution (otherwise than by way of cash)
Deductions in respect of Certain Incomes			
Section	Eligible Assessee	Eligible Income	Permissible Deduction
80QQB	Resident individual	Royalty income, etc., of authors of certain books other than text books Lump sum consideration for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or of royalty or copyright fees Royalty or copyright fee received otherwise than by way of lump sum	Amount received or receivable or ₹ 3,00,000, whichever is less. Maximum 15% of value of books sold
80RRB	Resident individual, being a patentee	Royalty on patents Any income by way of royalty on patents	Whole of such income or ₹ 3,00,000, whichever is less.

80TTA	Individual or a HUF	Interest on deposits in savings account Any income by way of interest on deposits in a savings account with a bank, a co-operative society or a post office (not being time deposits, which are repayable on expiry of fixed periods)	Actual interest subject to a maximum of ₹ 10,000.
Other Deductions			
Section	Eligible Assessee	Condition for deduction	Permissible Deduction
80U	Resident Individual	Deduction in case of a person with disability Any person, who is certified by the medical authority to be a person with disability.	₹ 50,000, in case of a person with disability. ₹ 1,00,000, in case of a person with severe disability (80% or more disability).

Question 1

Explain how contributions to political parties are deductible in the hands of corporate and non-corporate assessee under the income-tax law.

Answer

Section 80GGB provides for deduction of any sum contributed in the previous year by an Indian company to a political party.

Section 80GGC provides for deduction of any sum contributed by any other person to a political party. However, this deduction will not be available in respect of sum contributed by a local authority and every artificial juridical person, wholly or partly funded by the Government.

It may be noted that cash donations to political parties would not qualify for deduction under section 80GGB and section 80GGC.

Deduction under sections 80GGB and 80GGC would be available in respect of contributions made to a political party registered under section 29A of the Representation of the People Act, 1951.

Note: For the purpose of section 80GGB, the word "contribute" shall have the same meaning assigned to it under section 293A of the Companies Act, 1956, which provides that –

- (a) a donation or subscription or payment given by a company to a person for carrying on any activity which is likely to effect public support for a political party shall also be deemed to be contribution for a political purpose;

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- (b) the expenditure incurred, directly or indirectly, by a company on advertisement in any publication (being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like) by or on behalf of a political party or for its advantage shall also be deemed to be a contribution to such political party or a contribution for a political purpose to the person publishing it.

However, it may be noted that as per section 37(2B), no allowance shall be allowed in respect of expenses incurred by him on advertisement in any souvenir, brochure, tract or the like published by any political party. It is only after computation of gross total income, contribution to a registered political party is allowed as deduction under section 80GGB to an indian company.

Question 2

The gross total income of Mr. Nepal for the Assessment Year 2015-16, was ₹ 12,00,000. He has made the following investment/payments during the year 2014-15-

	Particulars	₹
1.	L.I.C. premium paid (Policy value ₹ 1,00,000) (taken on 1.03.2012)	25,000
2.	Contribution to Public Provident Fund (PPF)	70,000
3.	Repayment of housing loan to Indian Bank	50,000
4.	Payment made to L.I.C. pension fund	20,000
5.	Medical insurance premium for self, wife and dependent children.	18,000
6.	Medicclaim premium for parents (aged over 80 years)	30,000

Compute eligible deduction under Chapter VI-A for the Assessment Year 2015-16.

Answer

Computation of eligible deduction under Chapter - VI A of Mr. Nepal for A.Y. 2015-16

Particulars	₹	₹
Deduction under Section 80C		
LIC premium paid ₹ 25,000 [Limited to 20% of policy value, since policy has been taken before 1.04.2012 (20% x ₹ 1,00,000)]	20,000	
Contribution to P.P.F.	70,000	
Repayment of housing loan to Indian Bank	<u>50,000</u>	
	1,40,000	
Deduction under Section 80CCC		
Payment to LIC Pension Fund	<u>20,000</u>	
	1,60,000	

Deduction limited to ₹ 1,50,000 as per section 80CCE		1,50,000
Deduction under Section 80D		
Payment of medical insurance premium ₹ 18,000 for self, wife and dependent children. Deduction limited to ₹ 15,000.	15,000	
Medical insurance premium paid for parents ₹ 30,000 (limited to ₹ 20,000, being the limit applicable for senior citizens)	<u>20,000</u>	<u>35,000</u>
Eligible deduction under Chapter VI A		<u>1,85,000</u>

Question 3

Ria, Roma and Raj, three new retail investors, have made the following investments in equity shares/units of equity oriented fund of Rajiv Gandhi equity savings scheme for the previous year 2014-15 as below:

	Ria (₹)	Roma (₹)	Raj (₹)
Investment in listed equity shares	50,000	23,000	-
Investment in equity oriented funds	10,000	12,000	55,000
Gross total income	10,80,000	11,50,000	12,60,000

Calculate the amount of deduction allowable under section 80CCG in all the three cases for the Assessment Year 2015-16.

What would be the tax treatment in the hands of Raj, if he sells his investments in the Financial Year 2015-16?

Answer

Deduction under section 80CCG is available to:

- a new retail investor who complies with the conditions of the Rajiv Gandhi Equity Savings Scheme; and
- whose gross total income for the financial year in which investment is made under the scheme is less than or equal to ₹ 12 lakh.

The question specifies that Ms. Ria, Ms. Roma & Mr. Raj are new retail investors. The gross total income of Ms. Ria and Ms. Roma does not exceed ₹ 12 lakh. Therefore, Ms. Ria and Ms. Roma would be eligible for deduction under section 80CCG. However, since gross total income of Mr. Raj for the A.Y. 2015-16 exceeds ₹ 12 lakh, he is not eligible for deduction under section 80CCG for that year, even though he is a new retail investor.

Computation of deduction under section 80CCG for A. Y. 2015-16

Particulars	Ms. Ria	Ms. Roma
Investment in listed equity shares	50,000	23,000
Investment in units of equity-oriented fund	<u>10,000</u>	<u>12,000</u>
Total Investment in eligible securities	<u>60,000</u>	<u>35,000</u>

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Maximum amount of investment eligible for deduction under section 80CCG [Actual Investment or ₹ 50,000, whichever is lower]	50,000	35,000
Deduction under section 80CCG for A.Y. 2015-16 (50% of above)	25,000	17,500

Tax treatment on sale of investment by Mr. Raj in the Financial Year 2015-16

In the case of Mr. Raj, since no deduction under section 80CCG was allowed to him in the A.Y. 2015-16 on account of his gross total income exceeding ₹ 12 lakh, no amount invested in that year can be subject to tax in A.Y. 2016-17 on account of sale of investments before the expiry of time limit of three years from the date of acquisition.

Question 4

Mr. Chaturvedi having gross total income of ₹ 6,35,000 for the financial year 2014-15 furnishes you the following information:

- (i) Deposited ₹ 50,000 in tax saver deposit in the name of major son in a nationalized bank.
- (ii) Paid ₹ 25,000 towards premium on life insurance policy of his married daughter (Sum Assured ₹ 2,50,000). The policy was taken on 01.05.2012.
- (iii) Contributed ₹ 10,000 to Prime Minister's National Relief Fund.
- (iv) Donated ₹ 20,000 to a Government recognized institution for scientific research by a cheque.

Note: Assume that the gross total income of Mr. Chaturvedi comprises of only income under the head 'Salaries' and 'Income from house property'.

Compute the total income of Mr. Chaturvedi for the assessment year 2015-16.

Answer

Computation of total income of Mr. Chaturvedi for the A.Y.2015-16

Particulars	₹	₹
Gross total income		6,35,000
Less: Deductions under Chapter VI-A		
(i) Deposit of ₹ 50,000 in tax saver deposit in the name of major son in a nationalized bank – Fixed deposit in the name of son does not qualify for deduction under section 80C	-	
(ii) Premium on life insurance policy of his married daughter – Full amount is eligible for deduction under section 80C (since premium paid does not exceed 10% of sum assured)	25,000	
(iii) Contribution of ₹ 10,000 to PM's National Relief Fund, eligible for 100% deduction under section 80G	10,000	

(iv) Payment of ₹ 20,000 to a Government recognized institution for scientific research - Eligible for deduction under section 80GGA since the payment is made by way of cheque	<u>20,000</u>	<u>55,000</u>
Total Income		<u>5,80,000</u>

Question 5

State with proper reasons whether the following statements are True/False with regard to the provisions of the Income-tax Act, 1961:

- (i) During the financial year 2014-15, Mr. Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr. Amit will get the deduction under section 80E.
- (ii) Subscription to notified bonds of NABARD would qualify for deduction under section 80C.
- (iii) In order to be eligible to claim deduction under section 80C, investment/contribution/subscription etc. in eligible or approved modes, should be made from out of income chargeable to tax.
- (iv) Where an individual repays a sum of ₹ 30,000 towards principal and ₹ 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is ₹ 44,000.

Answer

- (i) **True** : The deduction under section 80E available to an individual in respect of interest on loan taken for his higher education or for the higher education of his relative. For this purpose, relative means, *inter alia*, spouse and children of the individual. Therefore, Mr. Amit will get the deduction under section 80E. It is immaterial that his son is already employed in a firm. This would not affect Mr. Amit's eligibility for deduction under section 80E.
- (ii) **True** : Under section 80C(2) subscription to such bonds issued by NABARD (as the Central Government may notify in the Official Gazette) would qualify for deduction under section 80C.
- (iii) **False** : There is no stipulation under section 80C that the investment, subscription, etc. should be made from out of income chargeable to tax.
- (iv) **False** : Deduction under section 80E is in respect of interest paid on education loan. Hence, the deduction will be limited to ₹ 14,000.

Question 6

Discuss the allowability of the following:

- (i) Rajan has to pay to a hospital for treatment ₹ 42,000 and spent nothing for life insurance or for maintenance of handicapped dependent.

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- (ii) Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited ₹ 25,000 with LIC for maintenance of handicapped dependant.
- (iii) Rajan has incurred ₹ 20,000 for treatment and ₹ 25,000 was deposited with LIC for maintenance of handicapped dependant.
- (iv) Payment of ₹ 50,000 by cheque to an electoral trust by an Indian company.

Answer

- (i) The deduction of ₹ 50,000 under section 80DD is allowed in full, irrespective of the amount of expenditure incurred or paid by the assessee. If the expenditure is incurred in respect of a dependant with severe disability, the deduction allowable is ₹ 1,00,000.
- (ii) The assessee Rajan has deposited ₹ 25,000 for maintenance of handicapped dependent. The assessee is, however, eligible to claim ₹ 50,000 since the deduction of ₹ 50,000 is allowed in full, irrespective of the amount deposited with LIC. In the case of dependant with severe disability, the deduction allowable is ₹ 1,00,000.
- (iii) Section 80DD allows a deduction of ₹ 50,000 irrespective of the actual amount spent on maintenance of handicapped dependent and/or actual amount deposited with LIC. Therefore, the deduction will be ₹ 50,000 even though the total amount incurred/deposited is ₹ 45,000. If the dependant is a person with severe disability the quantum of deduction is ₹ 1,00,000.
- (iv) Amount paid by an Indian Company to an electoral trust is eligible for deduction under section 80GGB from gross total income, since such payment is made otherwise than by way of cash.

Question 7

For the Assessment year 2015-16, the Gross Total Income of Mr. Chaturvedi, a resident in India, was ₹ 8,18,240 which includes long-term capital gain of ₹ 2,45,000 and Short-term capital gain of ₹ 58,000. The Gross Total Income also includes interest income of ₹ 12,000 from savings bank deposits with banks. Mr. Chaturvedi has invested in PPF ₹ 1,50,000 and also paid a medical insurance premium ₹ 21,000. Mr. Chaturvedi also contributed ₹ 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Chaturvedi, who is 70 years old as on 31.3.2015.

Answer

Computation of total income and tax payable by Mr. Chaturvedi for the A.Y. 2015-16

Particulars	₹	₹
Gross total income including long term capital gain		8,18,240
Less : Long term capital gain		<u>2,45,000</u>
		5,73,240

<i>Less</i> : Deductions under Chapter VI-A:		
Under section 80C in respect of PPF deposit	1,50,000	
Under section 80D (it is assumed that premium of ₹ 21,000 is paid by otherwise than by cash. The deduction would be restricted to ₹ 20,000, since Mr. Chaturvedi is a senior citizen)	20,000	
Under section 80G (See Notes 1 & 2 below)	19,662	
Under section 80TTA (See Note 3 below)	<u>10,000</u>	<u>1,99,662</u>
Total income (excluding long term capital gains)		<u>3,73,578</u>
Total income (including long term capital gains)		6,18,578
Total income (rounded off)		6,18,580
Tax on total income (including long-term capital gains of ₹ 2,45,000)		
LTCCG ₹ 2,45,000 x 20%		49,000
Balance total income ₹ 3,73,578		<u>7,358</u>
		56,358
<i>Add</i> : Education cess @2% and Secondary and higher education cess @1%		<u>1,691</u>
Total tax liability		<u>58,049</u>
Total tax liability (rounded off)		58,050

Notes :

1. Computation of deduction under section 80G:

Particulars	₹
Gross total income (excluding long term capital gains)	5,73,240
<i>Less</i> : Deduction under section 80C, 80D & 80TTA	1,80,000
	<u>3,93,240</u>
10% of the above	39,324
Contribution made	50,000
Lower of the two eligible for deduction under section 80G	39,324
Deduction under section 80G – 50% of ₹ 39,324	19,662

2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding ₹ 10,000. Therefore the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.

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3. Deduction of upto ₹ 10,000 under section 80TTA is allowed, *inter alia*, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank.

Question 8

Mr. Rajmohan whose gross total income was ₹ 6,40,000 for the financial year 2014-15 furnishes you the following information:

- (i) Stamp duty paid on acquisition of residential house (self-occupied) ₹ 50,000.
- (ii) Five year time deposit in an account under Post Office Time Deposit Rules, 1981 ₹ 20,000.
- (iii) Donation to a recognized charitable trust ₹ 25,000 which is eligible for deduction under section 80G at the applicable rate.
- (iv) Interest on loan taken for higher education of spouse paid during the year ₹ 10,000.

Compute the total income of Mr. Rajmohan for the Assessment year 2015-16.

Answer

Computation of total income of Mr. Rajmohan for the A.Y.2015-16

Particulars	₹	₹
Gross Total Income		6,40,000
Less: Deduction under Chapter VI-A		
<u>Under section 80C</u>		
Stamp duty paid on acquisition of residential house	50,000	
Five year time deposit with Post Office	20,000	
	70,000	
<u>Under section 80E</u>		
Interest on loan taken for higher education of spouse, being a relative.	10,000	
<u>Under section 80G (See Note below)</u>		
Donation to recognized charitable trust (50% of ₹ 25,000)	12,500	92,500
Total Income		5,47,500

Note: In case of deduction under section 80G in respect of donation to a charitable trust, the net qualifying amount has to be restricted to 10% of adjusted total income, i.e., gross total income less deductions under Chapter VI-A except 80G. The adjusted total income is, therefore, ₹ 5,60,000 (i.e. 6,40,000 – ₹ 80,000), 10% of which is ₹ 56,000, which is higher than the actual donation of ₹ 25,000. Therefore, the deduction under section 80G would be ₹ 12,500, being 50% of the actual donation of ₹ 25,000.

Question 9

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.*
- (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.*

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 10

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?

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.

Question 11

Deduction under section 80CCD is available only to individuals employed by the Central Government. Discuss the correctness of this statement.

Answer

The deduction under section 80CCD is available to the individuals employed by the Central Government or any other employer. The deduction is also available to self-employed individuals. Therefore, the statement is incorrect.

Question 12

Mr. Abhik, an individual, made payment of health insurance premium to GIC in an approved scheme. Premium paid on his health is ₹ 10,000 and his spouse's health is ₹ 15,000 during the year 2014-15. He also paid health insurance premium of ₹ 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 section 80D available to Mr. Abhik from his gross total income for the assessment year 2015-16.

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

Exercise

- Mr. Srivastav, aged 72 years, paid medical insurance premium of ₹ 22,000 by cheque and ₹ 1,000 by cash during May, 2014 under a Medical Insurance Scheme of the General Insurance Corporation. The above sum was paid for insurance of his own health. He would be entitled to a deduction under section 80D of a sum of -
 - ₹ 22,000
 - ₹ 20,000
 - ₹ 15,000
- Mr. Ramesh pays a rent of ₹ 5,000 per month. His total income is ₹ 2,80,000 (i.e. Gross Total Income as reduced by deductions under Chapter VI-A except section 80GG). He is also in receipt of HRA. He would be eligible for a deduction under section 80GG of an amount of -
 - ₹ 24,000
 - ₹ 32,000
 - ₹ 70,000
 - Nil
- The deduction allowable under section 80LA in respect of eligible income of Offshore Banking Units and International Financial Services Centre is -
 - 50% of such income for 5 consecutive assessment years
 - 100% of such income for 10 consecutive assessment years
 - 100% of such income for 5 consecutive assessment years and 50% of such income for 5 consecutive assessment years thereafter

4. The deduction under section 80QQB in respect of royalty income of authors of certain books is subject to a maximum limit of -
 - (a). ₹ 1,00,000
 - (b). ₹ 3,00,000
 - (c). ₹ 5,00,000
5. Under section 80GGB, deduction is allowable in respect of contribution to political parties by -
 - (a). any person other than local authority and every artificial juridical person wholly or partly funded by the Government
 - (b). Local authority and every artificial juridical person wholly or partly funded by the Government
 - (c). An Indian company
6. ₹ 1.5 lakh is the maximum qualifying limit for deduction under -
 - (a). Section 80CCC alone.
 - (b). Sections 80C and 80CCC
 - (c). Sections 80C, 80CCC and 80CCD(1)
7. Write short notes on -
 - (i) Deduction in respect of royalty income on patents
 - (ii) Deduction in respect of royalty income of authors of certain books.
 - (iii) Deduction in respect of royalty income on patents.
 - (iv) Deduction from Gross Total Income under section 80GG.
8. What is the deduction available from the gross total income of a company in respect of any contribution given to a political party?
9. Who are the assesseees eligible to claim deduction under section 80LA? What is the quantum of deduction available under this section? What are the conditions to be fulfilled for claiming such deduction?
10. Write briefly about the provisions regarding deductions from gross total income in respect of medical treatment of dependent disabled under section 80DD of the Income-tax Act, 1961 and in respect of medical treatment of assessee himself/dependent under section 80DDB of the Income-tax Act, 1961.

Answers

1. b; 2. d; 3. c; 4. b; 5. c; 6. c