DEDUCTIONS U/S 80C TO 80U

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WHAT ARE THESE DEDUCTIONS..???
Indian tax laws contain certain provisions, which are intended to act as an incentive for achieving certain desirable socio-economic objectives. These provisions are contained in Chapter VIA and are in the form of deductions (80C TO 80U) from the Gross Income. By reducing the chargeable income, these provisions reduce the tax liability, increase the post-tax income and thus induce the tax-payers to act in the desired manner. This unit is intended to give a broad idea of such deductions.
To compute the net income of the assesses, first of all we compute the income under the five head. The provisions for the same have been already discussed in the previous units. The aggregate of income under each head is known as “gross total income”. Certain deductions which are not deductible under any particular head of income are allowed out of gross total income to arrive at the total income liable to tax.

Total income is accordingly computed as under:

1. Income from salaries
2. Income from House property
3. Profits and Gains of Business and Profession
4. Income from capital gains
5. Income from other sources

Gross Total Income = 

Less deduction under Chapter VI-A(80C TO 80U)(-)

Total income
Following are the basic rules for deduction

1. The aggregate amount of deductions under sections 80C to 80U cannot exceed gross total income (gross total income after excluding long term capital gains, short term capital gain under section 111A, winnings from lottery, crossword puzzles etc.)

2. These deductions are to be allowed only if the assessee claims these and gives the proof of such investments/expenditure/income.
CATEGORIES OF DEDUCTIONS

There are various kinds of deductions. Some of them are to encourage savings, some are for certain personal expenditure, a few are for socially desirable activities, and some are for economic growth. For the sake of better understanding we have categorized them into four kinds. They are:
TO ENCOURAGE SAVINGS
For certain personal expenditure
For socially desirable activities
For physically disabled persons
DEDUCTIONS TO ENCOURAGE SAVINGS

The government wants to encourage the habit of people to save for the rainy day. To give impetus to savings these deductions are given on certain investments or certain expenditure made by the assessee. Deduction is allowed when the saving is invested but normally any withdrawal is treated as income in the year of withdrawal.
SECTION 80C – QUALIFIED SAVINGS
DEDUCTION IN RESPECT OF LIFE INSURANCE PREMIA, ETC. (SEC. 80C)

The following payments/investments qualify for deduction under this section. The total amount of investments made during the P.Y. under these below mentioned schemes is known as Gross Qualifying Amount (GQA).

1. Life Insurance premium paid on a policy taken on his own life, life of the spouse or any child (child may be dependent/ independent). In the case of a Hindu undivided family, policy may be taken on the life of any member of the family. The premium paid should be maximum of 20% of sum assured.

2. Any sum deducted from salary payable to a Government employee for the purpose of securing him a deferred annuity (subject to a maximum of 20% of salary).

3. Contribution towards statutory provident fund and recognized provident fund.

4. Contribution towards 15 year public provident fund (maximum of Rs 70,000).

5. Contribution towards an approved superannuation fund.

6. Subscription to National Savings Certificates, VIII Issue.

7. Contribution for participating in the Unit-Linked Insurance Plan (ULIP) of Unit Trust of India.
8. Contribution for participating in the unit-linked insurance plan (ULIP) of LIC Mutual Fund (i.e. Dhanraksha plan of LIC Mutual Fund)

9. Payment for notified annuity plan of LIC (i.e. Jeevan Dhara, Jeevan Akshay, New Jeevan Dhara, etc) or any other insurer.

10. Subscription towards notified units of Mutual Fund or UTI

11. Contribution to notified pension fund set up by Mutual Fund or UTI.

12. Any sum paid (including accrued interest) as subscription to Home Loan Account Scheme of the National Housing Bank

13. Any sum paid as tuition fees to any university/college/educational institution in India for full time education.
AMOUNT OF DEDUCTION

We add the amounts invested / spent in above mentioned schemes and this amount is known as Gross qualifying amount. The amount deductible is:

a) Gross qualifying amount; or

b) Rs 1,00,000

Whichever is less

Note:-The maximum deduction under sections 80C, 80CCC and 80CCD is Rs 1,00,000.
SECTION 80CCC – PAYMENT IN RESPECT OF PENSION FUND
DEDUCTION IN RESPECT OF PENSION FUND (SEC. 80CCC)

If the following conditions are fulfilled an assessee may claim deduction under this section

• The taxpayer is an individual

• During the previous year, he has paid/deposited a sum under an annuity plan of the Life Insurance Corporation of India or any other insurer for receiving pension.

• If deduction has not been claimed under section 80C.
If the aforesaid conditions are satisfied, then

a) the amount deposited
b) or Rs. 100000

whichever is lower, is deductible.

**Tax treatment of pension received**

The pension amount received by the assessee or his nominee as pension will be taxable in the year of the receipt.

**Note;**-The aggregate deduction under sections 80C, 80CCC and 80CCD cannot exceed Rs.1, 00,000.
SECTION 80CCD – PAYMENT TO NEW PENSION SCHEME
DEDUCTION IN RESPECT OF CONTRIBUTION TO PENSION SCHEME OF CENTRAL GOVERNMENT (SEC. 80CCD)

This section is for allowing deduction to new central Government employees, if the following conditions are satisfied:

• The taxpayer is an individual
• He is employed by the Central Government on or after January 1, 2004.
• He has in the previous year paid or deposited any amount in his account under a pension scheme notified by the Central Government.
AMOUNT OF DEDUCTION

The amount deductible is

a) The total employee’s contribution and employer’s contribution to the notified pension scheme during the year.

b) Or 10% of salary of the employee, Whichever is less

NOTE: Salary means basic salary including dearness allowance if under the terms of employment.

The aggregate amount of deduction under sections 80C, 80CC and 80CCD cannot exceed Rs. 1,00,000.
SECTION 80CCE – LIMIT ON DEDUCTIONS
If an assessee is having/claiming deduction u/s 80C, 80CCC, and 80CCD, then the provisions of Sec 80E is to be applied. According to this section the deduction is least of the following two amounts:

Aggregates of the gross qualifying amount u/s 80C, 80CCC, and 80CCD.

Rs 1,00,000
ILLUSTRATION 1: MR. VIKRAM IS WORKING IN A LIMITED COMPANY. FROM THE FOLLOWING PARTICULARS CALCULATE QUALIFIED SAVINGS U/S 80 C. INCOME FROM SALARY RS 2,20,000; CONTRIBUTION TO R.P.F.RS. 20,700. LIFE INSURANCE PREMIUM PAID RS. 6,000; POLICY AMOUNT RS. 1, 50,000, PURCHASE OF N.S.C.VIII ISSUE RS. 30,000. FIXED DEPOSIT IN SCHEDULED BANK FOR 5 YEARS RS. 20,000.

SOLUTION

Calculating qualifying amount for each saving.

Contribution to R.P.F. → Fully qualifies = 20,700

Life Insurance premium—* Least of the following two qualifies

Actual premium paid 6,000
20% of Policy (20% X 1,50,000) = 30,000 = 6,000

Purchase of N.S.C.VIII issue —* Fully qualifies = 30,000

Fixed deposit in Scheduled Bank — Fully qualifies = 20,000

Total __________________ 76,700

Calculating gross qualifying amount = 76,700

Calculating deduction amount:

If assessee is not having/claiming deduction u/s 8OCCC,8OCCD, then the deduction u/s 80C is least of the following two amounts

Gross qualifying amount a) 76,700 b) 1, 00,000

Qualified Savings u/s 80 C is Rs. 76,700.
SECTION 80CCF – INVESTMENT IN INFRASTRUCTURE BONDS
From the assessment year 2011-2012, a special deduction as allowed towards interest on investment bonds that is IDBI infra bonds L&T infra bonds deduction is as follows:

Least of the following two amounts is allowed as deduction:

**Actual amount invested**

Rs 20,000
DEDUCTIONS FOR CERTAIN PERSONAL EXPENDITURE

Under Section 80-D, 80-DD, 80-DDB, 80-E and 80-GG of IT Act 1961 some deductions are allowed in respect of personal expenditure such as Medical Insurance, Medical treatment of handicapped dependent, etc. These deductions are allowed to give impetus to threshold areas like education, health & housing. Let us now discuss them one by one.
SECTION 80D – MEDICAL INSURANCE PREMIUM
DEDUCTION IN RESPECT OF MEDICAL INSURANCE PREMIA SEC 80D

If the following conditions are satisfied then an assessee may claim deduction under this section.

• The taxpayer is an individual or a Hindu undivided family.
• Insurance premium is paid by the taxpayer in accordance with the scheme framed in this behalf by the General Insurance Corporation of India and approved by the Central Government. The scheme is known as “mediclaim” insurance policy. (The amount deposited in a similar scheme of any other insurer who is approved by the Insurance Regulatory and Development Authority shall also be eligible for deduction.)
• The aforesaid premium is paid by cheque
• Mediclaim policy is taken on the health of the taxpayer, on the health of spouse, dependent parents or dependent children of the taxpayer. In case of HUF on the health of any member of the family
<table>
<thead>
<tr>
<th>Own/spouse/dependent children</th>
<th>(a) Actual amount paid</th>
<th>(b) 15,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents of the assessee (dependent or not)</td>
<td>(a) Actual amount paid</td>
<td>(b) 15,000</td>
</tr>
<tr>
<td>For senior or super senior citizen</td>
<td>(a) Actual amount paid</td>
<td>(b) 20,000</td>
</tr>
</tbody>
</table>

Note: If the mode of the payment is not given, then make an assumption that premium is paid by cheque out of taxable income.
PROBLEM

Sri Ramana Reddy submitted the following particulars under section 80(d)

Medical Insurance premium:

Self: 10,000________Father (age 69 years): 24,000

Solution

For self:
Least of the two amounts: 10,000

For father:
Least of the two amounts: 20,000

TOTAL: 30,000
SECTION 80DD – MEDICAL TREATMENT AND MAINTENANCE
DEDUCTION IN RESPECT OF DEPENDENT RELATIVE
SECTION 80 DD

Following are the provisions under this section:

- This deduction is available to only Individuals and HUF, who is resident in India.

- This deduction is given to the assessee if a person with disability is dependent upon him.

- A person with disability means disabilities like autism, cerebral palsy, mental retardation, etc. as specified in Persons with Disabilities Act 1995.

- The assessee has incurred expenditure by way of medical treatment (including nursing), training and rehabilitation of a disabled dependent: or/and

- He has paid or deposited any amount under any scheme framed by the LIC of India or any other insurer for the payment of an annuity or a lump sum amount for the benefit of such dependent in the event of the death of the assessee.

- For claiming the deduction the assessee shall have to furnish a certificate by the prescribed medical authority with the return of income.
AMOUNT OF DEDUCTION

If the above mentioned conditions are satisfied the amount of deduction is fixed at
Rs. 50,000 irrespective of actual expenditure.

In case of a person with severe disability (over 80 %) a higher deduction of Rs.
1,00,000 shall be allowed irrespective of actual expenditure.

Explanation: Dependent means
i) In case of an individual, the spouse children, parents, brothers, sisters of the individual or any of them.

ii) In case of HUF, a member of the HUF wholly or mainly dependent on such individual or HUF for support and maintenance.
ILLUSTRATION

During the P.Y. 2005-06, the gross total income of Mr. X is Rs 4,00,000. During the P.Y. he pays the following premiums on Mediclaim insurance policy by cheque. Calculate the amount of tax benefit under section 80D.

Amount (in Rs)
1. Mr. X 6,000
2. Mrs. X 4,000
3. Son (not dependent) 3,000
4. Daughter (dependent) 2,000
5. Father (not dependent) 1,500
6. Mother (dependent) (age 68 years & resident in India) 2,000
Amounts qualifying for deduction are:-

**Amount (in Rs)**

- Mr. X 6,000
- Mrs. X 4,000
- Daughter 2,000
- Total 12,000

Additional deduction for mother 2,000 and father 1,500

Hence total deduction under section 80 D is Rs (12,000 + 2,000+1,500) = Rs 15,500
SECTION 80DDB – MEDICAL EXPENSES OF DEPENDENT
DEDUCTION IN RESPECT OF MEDICAL TREATMENT SECTION 80DDB

Deduction is available if following are satisfied

• Assessee is an individual or HUF resident in India.

• The assessee has actually paid for the medical treatment of specified disease or ailment, for himself or any dependent* or in case of HUF any member of the family.

• The assessee furnishes a certificate, in the prescribed form from prescribed authority, along with the return of income.
AMOUNT OF DEDUCTION

i) a) The amount paid
   b) or Rs. 40,000 whichever is less;

ii) Where the amount is paid in relation to a senior citizen the deduction shall be allowed for the amount paid or Rs. 60,000 whichever is less.

iii) The deduction shall be reduced by the amount received, if any, under an insurance from an insurer for the medical treatment of person mentioned in this section or reimbursed by the employer.

* The definition of ‘Dependent’ is the same as in the above section.
SECTION 80E – INTEREST ON HIGHER EDUCATION LOAN
DEDUCTION IN RESPECT OF REPAYMENT OF LOAN TAKEN FOR HIGHER EDUCATION – SECTION 80E

Deduction is available if:-

• Assessee is an individual.
• He has taken a loan from any financial institution (bank) or an approved charitable institution.
• The loan is taken is for the purpose of pursuing his higher education.
• During the previous year he has repaid some amount as interest on such loan.
• Such amount is paid out of his income chargeable to tax.
AMOUNT OF DEDUCTION

The entire amount paid by way of interest on such

Period of Deduction

Further, the deduction shall be allowed for the previous year in which the assessee starts repaying the loan or interest thereon and seven previous years immediately succeeding it or until the loan together with interest thereon is paid by the assessee in full, whichever is earlier.

NOTE Higher education means full-time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied science or pure sciences including mathematics and statistics.
SECTION 80GG – DEDUCTION FOR RENT PAID
AMOUNT OF RENT PAID - SECTION 80GG

This deduction is allowed to an individual assessee in respect of rent paid by him for an accommodation used for his residential purposes provided the following conditions are fulfilled:

• The assessee is either a self-employed person or such a salaried employee who is not in receipt of house-rent allowance from any source.
• The actual rent paid by him is in excess of 10% of his total income.
• He or his spouse or minor children or the HUF, of which he is a member, do not own any residential accommodation at the place where the assessee resides, performs the duties of his office or employment or carries on his business or profession. Where, however, the assessee owns any residential accommodation at any other place and claims the concessions of self-occupied house property for the same, he will not be entitled to any deduction u/s 80GG even if he does not own any residential accommodation at the place where he ordinarily resides, performs the duties of his office or employment or carries on his business or profession.
• The assessee files a declaration in Form No. 10BA regarding the payment of rent.

Note:

Deduction under this section can be claimed even if accommodation at concessional rent is provided by the employer. In such a case the deduction will be given if the actual rent paid by the employee exceeds 10% of his total income. Where a rent-free house is provided to the employee, no deduction will be allowed under this section.
AMOUNT OF DEDUCTION

The assessee, who fulfils the above mentioned conditions, is allowed a deduction equal to least of the following three:

- excess of actual rent paid over 10% of adjusted gross total income:
- 25% of his adjusted gross total income; and
- Rs. 2,000 p.m or 24,000 per annum

Adjusted Gross Total income (Adj.GTI) for this purpose means his gross total income minus long-term capital gain, short term capital gain taxable u/s 111A, and all deductions u/s 80CCC to 80U except any deduction under this section.
A’s gross total income is Rs. 1,80,000. Deductions allowed u/s 80D and 80C are Rs. 9,000 and Rs. 12,000 respectively. He pays a rent of Rs. 3,500 p.m. for a three-roomed set. He does not own any residential accommodation. Compute his total income for the assessment year 2006-2007.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross total income</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: Deduction u/s 80D - MIP etc.</td>
<td>9,000</td>
</tr>
<tr>
<td>80C – Insurance etc.</td>
<td>12,000</td>
</tr>
<tr>
<td>80GG - Rent Paid</td>
<td>24,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,35,000</td>
</tr>
</tbody>
</table>
Note:
Adj. GTI = Rs \[1,80,000 \ (\text{GTI}) - 9,000 \ (80D) -12,000 \ (80C) \] = Rs. 1,59,000

Deductions u/s 80GG will be the least of the following:

i) Rs. 2,000 p.m.
Rs.24,000

ii) Rent paid (Rs 42,000) - 10% of Adj.GTI (Rs. 1,59,000)
Rs.26,100

iii) 25% of Adj. GTI (Rs 1,59,000)
Rs 39,750

Rs. 24,000 is the least, hence, deductible
DEDUCTIONS FOR SOCIALLY DESIRABLE ACTIVITIES

There are various funds created by Governments to take care of natural calamities like earthquake, floods, etc. Similarly certain funds have been created to promote social & economic welfare, & education. To promote these funds and so that people contribute liberally to these funds, deduction has been provided in Section 80G for donations given by assessee to these funds.
SECTION 80G – DONATIONS
DONATION TO CERTAIN FUNDS, CHARITABLE INSTITUTION ETC. (SECTION 80G)

A. Donations made to following are eligible for 100% deduction without any qualifying limit.

1. Prime Minister’s National Relief Fund
2. National Defense Fund
3. Prime Minister’s Armenia Earthquake Relief Fund
4. The Africa (Public Contribution - India) Fund
5. The National Foundation for Communal Harmony
6. Approved university or educational institution of national eminence
7. The Chief Minister’s Earthquake Relief Fund, Maharashtra
8. Donations made to Zila Saksharta Samitis.
10. The Army Central Welfare Fund or the Indian Naval Benevolent Fund or The Air Force Central Welfare Fund.
DONATIONS MADE TO THE FOLLOWING ARE ELIGIBLE FOR 50% DEDUCTION WITHOUT ANY QUALIFYING LIMIT.

1. Jawaharlal Nehru Memorial Fund
2. Prime Minister’s Drought Relief Fund
3. National Children’s Fund
4. Indira Gandhi Memorial Trust
5. The Rajiv Gandhi Foundation.
DONATIONS TO THE FOLLOWING ARE ELIGIBLE FOR 100% DEDUCTION SUBJECT TO QUALIFYING LIMIT (I.E. 10% OF ADJUSTED GROSS TOTAL INCOME).

1. Donations to the Government or a local authority for the purpose of promoting family planning.

2. Sums paid by a company to Indian Olympic Association
DONATIONS TO THE FOLLOWING ARE ELIGIBLE FOR 50% DEDUCTION SUBJECT TO THE QUALIFYING LIMIT (I.E. 10% OF ADJUSTED GROSS TOTAL INCOME).

Donation to the Government or any local authority to be utilized by them for any charitable purposes other than the purpose of promoting family planning.

Any authority set up for providing housing accommodation or for town planning

Any notifies temple, mosque, gurudwara, church or other place for renovation and repairs

Any other fund constituted under this section
AMOUNT OF DEDUCTION

The quantum of deduction is as follows:-

Category A - 100% of amount donated

Category B - 50% of the amount donated in the funds

Category C – 100% of the amount donated in the funds subject to maximum limit of 10% of Adjusted GTI.

Category D – 50% of the amount donated in the funds subject to maximum limit of 10% of Adjusted GTI.

The total of these deductions under categories A,B,C, & D is the quantum of deduction under this section without any maximum amount.

Adjusted gross Total income for this purpose means his gross total income minus long-term capital gain, short term capital gain taxable u/s 111A, and all deductions u/s 80CCC to 80U except any deduction under this section.
ILLUSTRATION

Calculate the gross deductions:
1. Prime minister’s National Relief fund Rs 15,000
Central Welfare Fund of the Air Force Rs 20,000
Donation to temple Rs 11,000
GROSS TOTAL ADJUSTED INCOME RS 2,48,500
SOLUTION

Donations u/s Sec(80G)
Prime minister’s National Relief fund = 15,000
Central Welfare Fund of the Air Force = 20,000
Total = 35,000

WITH LIMIT DONATION
Temple donation 11,000
Least of the two:
(a) 10% of GTAI = 24,850
(b) 11,000
TOTAL = 11000+35000 = 46000

RATE OF DEDUCTION
100% deduction = 35,000
10% deduction = 50% of 11,000 = 5,500

Total = 40,500
DONATIONS TO POLITICAL PARTIES U/S 80GGC

If donation is given to registered political party in India or donation to electoral trust is eligible then it is allowed as a deduction @ 100%

Deduction = Actual amount donated
SECTION 80QQB – ROYALTY INCOME OF AUTHORS OF BOOKS
Under this section a deduction shall be allowed in the case of an individual resident in India who has received income by way of royalty as an author or co-author or for granting a copyright of a book to the publisher.
As per section 80QQB of the Act, where an author (including joint authors), being an individual resident in India, earns in exercise of his/her profession, any lump sum consideration for the assignment or grant of any of his/her interests in the copyright of any book being a work of literary, artistic or scientific nature, or of royalty or copyright fees (whether receivable in lump sum or otherwise) in respect of such book, a deduction shall be allowed in computing such royalty income.

For this purpose, “books” have been defined not to include brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlets, text-books for schools, tracts and other publications of similar nature, by whatever name called. Additionally, in regard to royalties or copyright fees, the words “lump sum” have been defined to include advance payment on account of such royalties or copyright fees which is not returnable.

Further, the book may be written in any language and there is no restriction thereon for claiming the deduction under section 80QQB of the Act as was present in the then prevailing section 80QQA of the Act.
AMOUNT OF DEDUCTION

The deduction under section 80QQB of the Act shall be equal to the whole amount of such income or Rs 3,00,000/-, whichever is less. Since, the deduction is not limited to be a one time deduction, the deduction can be claimed for each assessment year subject to the continuation of this section in the future and fulfilment of the conditions thereof.

However, where the royalty income or copyright fee, is not a lump sum consideration in lieu of all rights of the author in the book, so much of the income, before allowing expenses attributable to such income, as is in excess of fifteen per cent of the value of such books sold during the accounting year shall be ignored.

In other words, where a lump sum amount is not receivable by the author, then the deduction will be limited to 15 per cent of the value of the books sold during the accounting year.
ROYALTY INCOME EARNED FROM OUTSIDE INDIA

In cases, where the author has earned royalty or copyright fee from any source outside India, the deduction under section 80QQB of the Act shall be allowed to the extent the income is brought into India by, or on behalf of, the author in convertible foreign exchange within a period of six months from the end of the accounting year in which such income is earned or within such further period as the Reserve Bank of India (RBI) allows in this behalf.
SECTION 80U – HANDICAPPED RESIDENT PERSONS
DEDUCTION ALLOWED TO A PERSON WITH DISABILITY - SECTION 80U

To help a disabled person by reducing his tax burden, this section has been incorporated. Following are the provisions.

- The assessee is an individual being a resident
- He is a person with disability.
- He is certified by the medical authority to be a person with disability, at any time during the previous year.
- He furnishes a certificate issued by the medical authority in the prescribed form along the return of income
AMOUNT OF DEDUCTION

A fixed deduction of
Rs. 50,000 in case of a person with disability
Rs. 1,00,000 in case of a person with severe disability.(having any disability over 80%)
CONCLUSION

Tax deductions are one of the few tax topics that generate some excitement. While nobody likes to pay taxes, everybody loves to use deductions to lower their taxes. To put it plainly, a tax deduction lowers your taxable income, which therefore lowers your tax liability. Some people mistakenly think a tax deduction is a direct reduction of taxes owed. That is actually a tax credit, which does directly reduce the amount of taxes owed instead of simply reducing your taxable income.
Thank You!