Taxation – Direct Taxes

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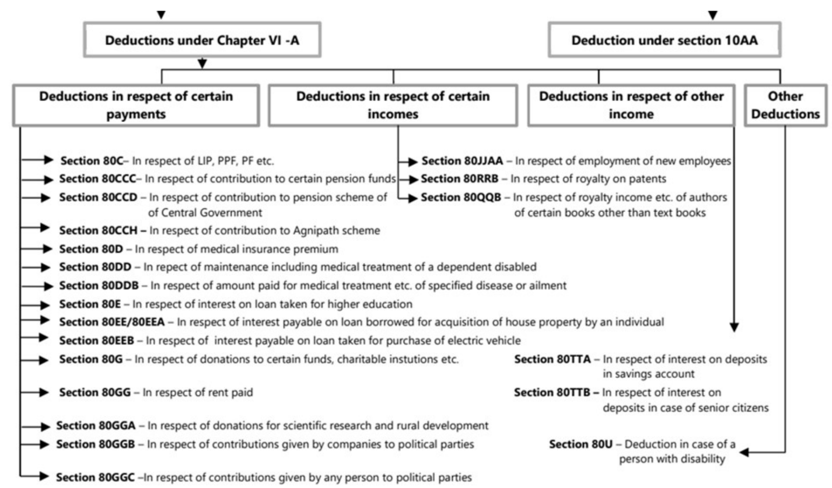
Deductions from GTI



2

Difference between exemptions and deductions

Difference between Deduction under Chapter VI-A & section 10AA and Exemption under section 10		
Particulars	***Deduction (in relation to Chapter VI-A and section 10AA)***	***Exemption (contained in section 10)***
Meaning	*Investments/ contributions in certain instruments (as prescribed under the Income-tax Act). Payments made for certain purposes.*	*The incomes which are exempt under section 10 will not be included in computing gross total income.*
Relevant Sections	*Sections 80C to 80U in Chapter VI-A and section 10AA of the Income-tax Act.*	*Section 10 of the Income-tax Act.*
Manner of treatment	*First included in the Gross Total Income and then deductions will be allowed from Gross Total Income.*	*Not included in the Gross Total Income.*

80 C deductions

(i) **Deduction in respect of investment/ contributions**

Section 80C provides for a deduction from the Gross Total Income of savings in specified modes of investments. *The deduction under section 80C is available only to an individual or HUF exercising the option of shifting out of the default tax regime provided under section 115BAC(1A). It is not allowable under the default tax regime under section 115BAC.*

The maximum permissible deduction under section 80C is ₹ 1,50,000. The following are the investments/ contributions eligible for deduction –

(1) Contribution in Unit-linked Insurance Plan 1971

Contributions in the name of the individual, his or her spouse or any child of the individual for participation in the Unit-linked Insurance Plan 1971. In case of a HUF, the contribution can be in the name of any member.

(2) Contribution in Unit-linked Insurance Plan of LIC Mutual Fund

Contributions in the name of the individual, his or her spouse or any child of the individual for participation in any Unit linked Insurance Plan of the LIC Mutual Fund. In case of a HUF, the contribution can be in the name of any member.

(3) Premium paid in respect of Life Insurance policy

Premium paid on insurance on the life of the individual, spouse or any child (minor or major) and in the case of HUF, any member thereof. This will include

80 C deductions

(4) Premium paid in respect of a contract for deferred annuity

Premium paid to effect and keep in force a contract for a deferred annuity on the life of the individual and/or his or her spouse or any child, provided such contract does not contain any provision for the exercise by the insured of an option to receive cash payments in lieu of the payment of the annuity.

It is pertinent to note here that a contract for a deferred annuity need not necessarily be with an insurance company. It follows therefore that such a contract can be entered into with any person.

(5) Any sum deducted from the salary payable of a Government employee for securing a deferred annuity

Amount deducted by or on behalf of the Government from the salary of a Government employee in accordance with the conditions of his service for securing a deferred annuity or making provision for his spouse or children. The excess, if any, over one-fifth of the salary is to be ignored.

(6) Contribution to SPF/PPF/RPF

Contributions to any provident fund to which the Provident Funds Act, 1925 applies and recognized provident fund qualifies for deduction under section 80C.

Contribution made to any Provident Fund set up by the Central Government and notified in his behalf (i.e., the Public Provident Fund established under

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80 C deductions

(7) Contribution to approved superannuation Fund

Contribution by an employee to an approved superannuation fund qualifies for deduction under section 80C.

(8) Any sum paid or deposited in Sukanya Samriddhi Account

Subscription to any such security of the Central Government or any such deposit scheme as the Central Government as may notify in the Official Gazette. Accordingly, Sukanya Samriddhi Scheme has been notified to

(9) Subscription to National Savings Certificates VIII

Subscription to any Savings Certificates under the Government Savings Certificates Act, 1959 notified by the Central Government in the Official Gazette (i.e. National Savings Certificate (VIII Issue) issued under the Government Savings Certificates Act, 1959).

(10) Contribution to approved annuity plan of LIC

Contributions to approved annuity plans of LIC (New Jeevan Dhara and New Jeevan Akshay, New Jeevan Dhara I and New Jeevan Akshay I, II and III) or any other insurer as the Central Government may, by notification in the Official Gazette, specify in this behalf.

(11) Subscription towards notified units of mutual fund or UTI

Subscription to any units of any mutual fund or from the Administrator or the specified company under any plan formulated in accordance with such scheme notified by the Central Government;

(12) Contribution to notified pension fund set up by mutual fund or UTI

Contribution by an individual to a pension fund set up by any Mutual Fund or by the Administrator or the specified company as the Central Government may specify (i.e., UTI-Retirement Benefit Pension Fund set up by the specified company referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 as a pension fund).

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80 C deductions

(13) Contribution to National Housing Bank (Tax Saving) Term Deposit Scheme, 2008

Subscription to any deposit scheme or contribution to any pension fund set up by the National Housing Bank i.e., National Housing Bank (Tax Saving) Term Deposit Scheme, 2008.

(14) Subscription to notified deposit scheme

Subscription to any such deposit scheme of

- a public sector company which is engaged in providing long-term finance for construction, or purchase of houses in India for residential purposes; or
- any such deposit scheme of any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages or for both.

The deposit scheme should be notified by the Central Government, for example, public deposit scheme of HUDCO.

(15) Payment of tuition fees to any university, college, school or other educational institution within India for full-time education for

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80 C deductions

(16) Repayment of housing loan including stamp duty, registration fee and other expenses

Any payment made towards the cost of purchase or construction of a new residential house property. The income from such property

(17) Subscription to certain equity shares or debentures

Subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form.

A lock-in period of three years is provided in respect of such equity shares or debentures. In case of any sale or transfer of shares or debentures within three years of the date of acquisition, the aggregate amount of deductions allowed in respect of such equity shares or debentures in the previous year or years preceding the previous year in which such sale or transfer has taken place shall be deemed to be the income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

A person shall be treated as having acquired any shares or debentures on the date on which his name is entered in relation to those shares or debentures in the register of members or of debenture-holders, as the case may be, of the public company.

(18) Subscription to certain units of mutual fund

Subscription to any units of any mutual fund and approved by the Board on an application made by such mutual fund in the prescribed form.

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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.	Amount paid or deposited, subject to a maximum of ₹ 1,50,000 [Deduction would be available only if the individual exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A)]
80CCD	Individuals employed by the Central Govt or any other employer; Any other individual assessee.	**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 [to his individual pension account [Tier I A/c] under National Pension Scheme & Atal Pension Yojana]	**Employee's Contribution/ Individual' Contribution** In case of a salaried individual, deduction of own contribution u/s 80CCD(1) is restricted to 10% of his salary. In any other case, deduction u/s 80CCD(1) is restricted to 20% of gross total income. Further, additional deduction of upto ₹ 50,000 is available u/s 80CCD(1B). [Deduction u/s 80CCD(1) and 80CCD(1B) would be available only if the individual exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A)]

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80D	Individual and HUF	**Medical Insurance Premium** (1) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of – in case of an individual: self, spouse and dependent children in case of HUF: family member (2) In case of an individual, contribution, otherwise than by way of cash, to CGHS or any other scheme as notified by Central Government.	Maximum ₹ 25,000 (₹ 50,000, in case the individual or his or her spouse is a senior citizen)
		(3) 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.	Maximum ₹ 25,000 (₹ 50,000, in case either or both of the parents are senior citizen(s))

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80E	Individual	**Interest on loan taken for higher education** Interest on loan 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 or the student for whom the individual is the legal guardian.	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. [Deduction would be available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)]
80EEA	Individual	**Deduction in respect of interest payable on loan taken from a FI (bank or HFC) for acquisition of residential house property**	Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken from a FI for acquisition of house property. **Conditions:** • Loan should be sanctioned by a FI during the period between 1st April 2019 to 31st March 2022. • Stamp Duty Value of house ≤ ₹ 45 lakhs • The individual should not own any residential house on the date of sanction of loan. • The individual should not be eligible to claim deduction u/s 80EE.

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80G	All assessees	**Donations to certain funds, charitable institutions etc.** **There are four categories of deductions –**

	Category	Donee
(I)	100% deduction of amount donated, without any qualifying limit	Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.
(II)	50% deduction of amount donated, without any qualifying limit	Prime Minister's Drought Relief Fund.
(III)	100% deduction of amount donated, subject to qualifying limit	Government or local authority, institution for promotion of family planning etc.
(IV)	50% deduction of amount donated, subject to qualifying limit.	Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.

Calculation of Qualifying limit for Category III & IV donations:

Step 1: Compute adjusted total income, i.e., the gross total income as reduced by the following:

1.	Deductions under Chapter VI-A, except u/s 80G
2.	Short term capital gains taxable u/s 111A
3.	Long term capital gains taxable u/s 112 & 112A

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 adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction under section 80G.

Note *- No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash.*

[In case of individuals, HUF, AoP (other than a co-operative society) or BoI or an artificial juridical person, deduction would be available only if they exercise the option of shifting out of the default tax regime provided under section 115BAC(1A)]

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80GGA	Any assessee not having income chargeable under the head "Profits and gains of business or profession"	**Donations for scientific research and rural development**	Actual donation [No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash] [Deduction would be available to individual, HUF, AoP (other than a co-operative society) or BoI or an artificial juridical person only if they exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A)]
80GGB	Indian company (not opting for section 115BAA/ 115BAB)	**Contributions to political parties** Any sum contributed by it to a registered 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 registered political party or an electoral trust.	Actual contribution (otherwise than by way of cash) [An individual, HUF, AoP (other than a co-operative society) or BoI would be eligible for deduction u/s 80GGC only if the assessee exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A)]

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Section	Eligible Assessee	Eligible Income	Permissible Deduction
80TTA	Individual or a HUF, other than a resident senior citizen	**Interest on deposits in savings account** 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. [Deduction would be available only if the individual/HUF exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A)]
80TTB	Resident senior citizen (i.e. an individual of the age of 60 years or more at any time during the previous year)	**Interest on deposits** Interest on deposits (both fixed deposits and saving accounts) with banking company, co-operative society engaged in the business of banking or a post office.	Actual interest or ₹ 50,000, whichever is less. [Deduction would be available only if the individual exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A)]

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.	Flat deduction of ₹ 75,000, in case of a person with disability. Flat deduction of ₹ 1,25,000, in case of a person with severe disability (80% or more disability). [Deduction would be available only if the individual exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A)]

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Earnings	YTD	Amount	Deductions	YTD	Amount
BASIC	27,500.00	27,500.00	PF	1,800.00	1,800.00
HRA	13,750.00	13,750.00	PT	200.00	200.00
FIXED ALLOW	2,750.00	2,750.00	INSURANCE	425.00	425.00
VARIABLE	9,200.00	9,200.00			
HASH INCEN	1,000.00	1,000.00			
QTLY INC	36,480.00	36,480.00			
ACOP INC	7,108.00	7,108.00			
WFH	1,500.00	1,500.00			
CONTESTINC	5,400.00	5,400.00			
Total	**1,04,688.00**	**1,04,688.00**	**Total**	**2,425.00**	**2,425.00**

Net Pay **1,02,263.00**

In Words **Rupees One Lakh Two Thousand Two Hundred Sixty Three Only**

Signature

New Tax Regime Opted **TDS Details** **PAN : AOBPC4410K**

Description	Gross	Exempt	Taxable	Income Tax Deduction	
Basic Salary	3,30,000.00		3,30,000.00	Gross Salary	6,89,888.00
DA				Profession Tax	
HRA	1,65,000.00		1,65,000.00	Other Ded. & Standard Ded.	50,000.00
Conveyance				House Property	
Any Other Allowance	1,43,400.00		1,43,400.00	Income from Other Source	
Perquisites				Total VI-A deduction	

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For the A.Y. 2024-25, 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 taxable under section 112 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 and ₹ 40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF ₹ 1,20,000 and also paid a medical insurance premium ₹ 51,000. 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 31.3.2024, in a tax efficient manner.

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Computation of total income and tax liability of Mr. Chaturvedi for the A.Y. 2024-25 under default tax regime

Particulars	₹
Gross total income incl. long term capital gain	8,18,240
Less: **Deductions under Chapter VI-A**	-
No deduction would be available under default tax regime u/s 115BAC	
Total income	**8,18,240**
Tax on total income	
LTCG ₹ 2,45,000 x 20%	49,000
Balance total income ₹ 5,73,240	13,662
	62,662
Add: Health and Education cess @4%	2,506
Total tax liability	**65,168**
Total tax liability (Rounded off)	**65,170**

Computation of total income and tax liability of Mr. Chaturvedi for the A.Y. 2024-25 under the optional tax regime (i.e., the normal provisions of the Act)

Particulars	₹	₹
Gross total income incl. long term capital gain		8,18,240
Less: Long term capital gain		2,45,000
		5,73,240
Less: **Deductions under Chapter VI-A**		
Under section 80C in respect of PPF deposit	1,20,000	
Under section 80D (it is assumed that premium of ₹ 51,000 is paid by otherwise than by cash. The deduction would be restricted to ₹ 50,000, since Mr. Chaturvedi is a senior citizen)	50,000	
Under section 80G **(See Notes 1 & 2 below)**	17,662	
Under section 80TTB **(See Note 3 below)**	50,000	2,37,662
Total income (excluding long term capital gains)		**3,35,578**
Total income (including long term capital gains)		**5,80,578**
Total income (rounded off)		**5,80,580**
Tax on total income (including long-term capital gains of ₹ 2,45,000)		
LTCG ₹ 2,45,000 x 20%		49,000
Balance total income ₹ 3,35,580 **(See Note 4 below)**		1,779
		50,779
Add: Health and Education cess @4%		2,031
Total tax liability		**52,810**

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1. **Computation of deduction under section 80G:**

Particulars	₹
Gross total income (excluding long term capital gains)	5,73,240
Less : Deduction under section 80C, 80D & 80TTB	2,20,000
	3,53,24
10% of the above	35,324
Contribution made	50,000
Lower of the two eligible for deduction under section	35,324
Deduction under section 80G – 50% of ₹ 35,324	**17,662**

2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding ₹ 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
3. Deduction of upto ₹ 50,000 under section 80TTB is allowed to a senior citizen if gross total income includes interest income on bank deposits, both fixed deposits and savings account.
4. Mr. Chaturvedi, being a senior citizen is eligible for a higher basic exemption of ₹ 3,00,000.

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Mr. Rajmohan whose gross total income was ₹ 6,40,000 for the financial year 2023-24, furnishes you the following information:

(i) Repayment of loan taken from SBI for acquisition of residential house (self-occupied) - ₹ 50,000.

(ii) Five year post office time deposit - ₹ 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 A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Computation of total income of Mr. Rajmohan for the A.Y.2024-25

Particulars		₹	₹
Gross Total Income			6,40,000
Less:	**Deduction under Chapter VI-A**		
	Under section 80C		
	Repayment of loan taken for acquisition of residential house	50,000	
	Five year time deposit with Post Office	20,000	
		70,000	
	Under section 80E		
	Interest on loan taken for higher education of spouse, being a relative.	10,000	
	Under section 80G (See Note below)		
	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.*