

# CHAPTER 13

## DEDUCTIONS FROM GTI

### 1. ICAI STUDY MATERIAL QUESTIONS

#### Concept Problem 1

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

- a) For grant of deduction under section 80 JJAA, 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 section 80QQB.

#### Solution

- a) **The statement is not correct.**

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 80JJAA.

- b) **The statement is correct.**

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 80QQB.

#### Concept Problem 2

Compute the eligible deduction under section 80C for A.Y. 2022-23 in respect of life insurance premium paid by Mr. Ganesh during the P.Y. 2021-22, the details of which are given hereunder –

S.No	Date of issue of policy	Person insured	Actual capital sum assured	Insurance premium paid during PY 2020-21
(i)	30/3/2012	Self	6,00,000	51,000
(ii)	1/5/2017	Spouse	1,50,000	20,000
(iii)	1/6/2019	Handicapped Son (section 80U disability)	4,00,000	80,000

#### Solution

S.No	Date of issue of policy	Person insured	Actual capital sum assured	Insurance premium paid during PY 2021-22	Deduction u/s 80C for A.Y. 2022-23	Remark (restricted to % of sum assured)
(i)	30/3/2012	Self	6,00,000	51,000	51,000	20%
(ii)	1/5/2017	Spouse	1,50,000	20,000	15,000	10%
(iii)	1/6/2019	Handicapped son (section 80U disability)	4,00,000	80,000	60,000	15%
				<b>Total</b>	<b>1,26,000</b>	

**Concept Problem 3**

The basic salary of Mr. A is INR 1,00,000 p.m. He is entitled to dearness allowance which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr. A and his employer contributed 15% of basic salary to the pension scheme referred to in section 80CCD.

Explain the tax treatment in respect of such contribution in the hands of Mr. A.

**Solution****Tax treatment in the hands of Mr. A in respect of employer's and own contribution to pension scheme referred to in section 80CCD**

- Employer's contribution to such pension scheme would be treated as salary in the hands of employee. It is specifically included in the definition of "salary" under section 17(i)(viii). Therefore INR 1,80,000, being 15% of basic salary of INR 12,00,000 will be included in Mr. A's salary.
- Mr. A's contribution to pension scheme is allowable as deduction under section 80CCD(1). However, the deduction is restricted to 10% of salary. Salary for this purpose means basic pay plus dearness allowance if it forms part of pay.

Therefore, "salary" for the purpose of deduction under section 80CCD for Mr. A would be –

Particulars	Amount
Basic salary = INR 1,00,000 x 12	12,00,000
Dearness allowance = 40% of INR 12,00,000 = INR 4,80,000 50% of Dearness Allowance forms part of pay = 50% of INR 4,80,000	2,40,000
Salary for the purpose of deduction under section 80CCD	14,40,000
Deduction under section 80CCD (1) is restricted to 10% of INR 14,40,000 (Basic salary 12,00,000 + DA forming part of salary 2,40,000)	1,44,000
As per section 80CCD(1B), a further deduction of upto INR 50,000 is allowable. Therefore, deduction under section 80CCD (1B) is INR 36,000 (1,80,000 – 1,44,000)	36,000

INR 1,44,000 is allowable as deduction under section 80CCD(1). This would be taken in consideration and be subject to the overall limit of INR 1,50,000 under section 80CCE. INR 36,000 allowable as deduction under section 80CCD (1B) is outside the overall limit of INR 1,50,000 under section 80CCE

In the alternative, ₹ 50,000 can be claimed as deduction under section 80CCD(1B). The balance ₹ 1,30,000 (₹ 1,80,000- ₹ 50,000) can be claimed as deduction under section 80CCD(1).

- Employer's contribution to pension scheme would be allowable as deduction u/s 80CCD (2) subject to a maximum of 10% of salary. Therefore, deduction u/s 80CCD (2) would also be restricted to INR 1,44,000 even though the entire employer's contribution of INR 1,80,000 is included in salary u/s 17(1)(viii).

However, this deduction of employer's contributions of INR 1,44,000 to pension scheme would be outside the overall limit of INR 1,50,000 u/s 80CCE i.e., this deduction would be over and above the other deduction which are subject to the limit of INR 1,50,000.

**Concept Problem 4**

The gross total income of Mr. X for the A.Y. 2022-23 is INR 8,00,000. He has made the following investments/ payments during the F.Y. 2021-22:

Particulars	Amount
(1) Contribution to PPF	1,10,000
(2) Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
(3) Repayment of housing loan taken from Standard Chartered Bank	25,000

Particulars		Amount
(4)	Contribution to approved pension fund of LIC	1,05,000

**Solution****Computation of deduction under Chapter VI-A for the A.Y.2022-23**

Particulars		Amount
<b>Deduction under section 80C</b>		
(1)	Contribution to PPF – fully allowed, since it is within the limit of INR 1,50,000	1,10,000
(2)	Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
(3)	Repayment of housing loan	25,000
		<b>1,80,000</b>
Restricted to INR 1,50,000, being the maximum permissible deduction u/s 80C		1,50,000
<b>Deduction under section 80CCC</b>		
(4)	Contribution to approved pension fund of LIC INR 1,05,000	1,05,000
		<b>2,55,000</b>
As per section 80CCE, the aggregate deduction under section 80C, 80CCC and 80CCD (1) has to be restricted to INR 1,50,000		
<b>Deduction allowable under Chapter VIA for the A.Y. 2022-23</b>		<b>1,50,000</b>

**Concept Problem 5**

Mr. A, aged 40 years paid medical insurance premium of INR 20,000 during the P.Y. 2021-22 to insure his health as well as the health of his spouse. He also paid medical insurance premium of INR 47,000 during the year to insure the health of his father aged 63 years who is not dependant on him. He contributed INR 3,600 to Central Government health scheme during the year. He has incurred INR 3,000 in cash on preventive health check-up of himself and his spouse and INR 4,000 by cheque on preventive health check-up of his father. Compute the deduction allowable under section 80D for the A.Y. 2022-23.

**Solution****Deduction allowable under section 80D for the A.Y. 2022-23.**

S.No	Particulars	Actual payment	Maximum deduction
<b>A.</b>	<b>Premium paid and medical expenditure incurred for self and spouse</b>	<b>INR</b>	<b>INR</b>
i.	Medical insurance premium paid for self and spouse	20,000	20,000
ii.	Contribution to CGHS	3,600	3,600
iii.	Exp. On preventive health check-up of self & spouse	3,000	1,400
		<b>26,600</b>	<b>25,000</b>
<b>B.</b>	<b>Premium paid and medical expenditure incurred for father who is senior citizen</b>		
i.	Mediclaime premium paid for father who is over 60 years of age	47,000	47,000
ii.	Expenditure on preventive health check-up of father	4,000	3,000
		<b>51,000</b>	<b>50,000</b>
	<b>Total deduction u/s 80D (INR 25,000 + INR 50,000)</b>		<b>75,000</b>

**Notes:**

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- The total deduction under A (i) (ii) and (iii) above should not exceed INR 25,000 therefore the expenditure on preventive health check-up for self and spouse would be restricted to INR 1,400 being (INR 25,000 – INR 20,000 – INR 3,600).
- The total deduction under B (i) and (ii) above should not exceeds INR 50,000 therefore the expenditure on preventive health check-up for father would be restricted to INR 3,000 being (INR 50,000 – INR 47,000).
- In this case the total deduction allowed on account of expenditure on preventive health check-up of self, spouse and father is INR 4,400 (i.e. INR 1,400 + INR 3,000) which is less than the maximum permissible limit of INR 5,000.

### Concept Problem 6

Mr. Y, aged 40 years, paid medical insurance premium of INR 22,000 during the P.Y. 2021-22 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of INR 33,000 during the year to insure the health of his mother, aged 67 years, who is not dependent on him. He incurred medical expenditure of INR 20,000 on his father, aged 71 years who is not covered under Medclaim policy. His father is also not dependent upon him. He contributed INR 6,000 to Central Government Health Scheme during the year. Compute the deduction allowable under section 80D for the A.Y. 2022-23

### Solution

#### Deduction allowable under section 80D for the A.Y. 2022-23

S. No	Particulars	Amount	Amount
(i)	Medical insurance premium paid for self, spouse and dependent children	22,000	
(ii)	Contribution to CGHS	6,000	
		28,000	
	Restricted to		25,000
(iii)	Mediclaime premium paid for mother, who is over 60 years of age	33,000	
(iii)	Medical expenditure incurred for father, who is over 60 years of age and not covered by any insurance	20,000	
		53,000	
	Restricted to		50,000
			<b>75,000</b>

### Concept Problem 7

Mr. Bharat has taken three education loans on April 1<sup>st</sup>, 2021, the details of which are given below:

Particulars	Loan 1	Loan 2	Loan 3
	Mr. Bharat	Son of Bharat	Daughter of Bharat
Purpose of loan	MBA	B.Sc.	B.A.
Amount of loan (INR)	5,00,000	2,00,000	4,00,000
Annual repayment of loan (INR)	1,00,000	40,000	80,000
Annual repayment of interest (INR)	20,000	10,000	18,000

Compute the amount deductible under section 80E for the AY 2022-23.

### Solution

Deduction under section 80E is available to an individual Assessee in respect of any interest paid by him in the previous year in respect of loan taken for pursuing higher education by himself, spouse or children. Higher education means any course of study pursued after clearing senior secondary examination.

Therefore, interest repayment in respect of all the above loans would be eligible for deduction.

Deduction under section 80E = INR 20,000 + INR 10,000 + INR 18,000 = INR 48,000.

### Concept Problem 8

Mr. A purchased a residential house property for self-occupation at a cost of INR 45 lakh on 1.4.2017, in respect of which he took a housing loan of INR 35 lakh from Bank of India @ 11% p.a. on the same date. The loan was sanctioned on 28<sup>th</sup> March, 2017. Compute the eligible deduction in respect of interest on housing loan for A.Y. 2022- 23 under the provisions of the Income-tax Act, 1961, assuming that the entire loan was outstanding as on 31.3.2022 and he does not own any other house property.

### Solution

Particulars		Amount
<b>Interest deduction for AY 2022-23</b>		
i.	<b>Deduction allowable while computing income under the head “Income from house property”</b>	
	Deduction under section 24(b) INR 3,85,000 [35,00,000 x 11%] Restricted to	2,00,000
ii.	<b>Deduction under chapter VIA from gross total income</b>	
	deduction under section 80EE INR 1,85,000 (3,85,000 – 2,00,000) Restricted to	50,000

### Concept Problem 9

The following are the particulars relating to Mr. A, Mr. B, Mr. C and Mr. D, salaried individuals, for A.Y.2022-23:

Particulars	Mr. A	Mr. B	Mr. C	Mr. D
Amount of loan taken	INR 43 lakhs	INR 45 lakhs	INR 20 lakhs	INR 15 lakhs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public sector bank
Date of sanction of loan	1.4.2021	1.4.2020	1.4.2020	30.3.2019
Date of disbursement of loan	1.5.2021	1.5.2020	1.5.2020	1.5.2019
Purpose of loan	Acquisition of residential house property for self-occupation	Acquisition of residential house property for self-occupation	Purchase of electric vehicle for personal use	Purchase of electric vehicle for personal use
Stamp duty value of house property	INR 45 lakhs	INR 48 lakhs	-	-
Cost of electric vehicle	-	-	INR 22 lakhs	INR 18 lakhs
Rate of interest	9% p.a.	9% p.a.	10% p.a.	10% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y.2022-23 in the hands of Mr. A, Mr. B, Mr. C and Mr. D. Assume that there has been no principal repayment in respect of any of the above loans upto 31.3.2022.

### Solution

Particulars	Amount
<b>Mr. A</b>	
<b>Interest deduction for A.Y. 2022-23</b>	

Particulars		Amount
<b>(i)</b>	<b>Deduction allowable while computing income under the head “Income from house property”</b>	
	Deduction u/s 24(b) INR 3,54,750 [INR 43,00,000 × 9% x 11/12] Restricted to	2,00,000
<b>(ii)</b>	<b>Deduction under Chapter VI-A from Gross Total Income</b>	
	Deduction u/s 80EEA INR 1,54,750 (INR 3,54,750 – INR 2,00,000) Restricted to	1,50,000
<b>Mr. B</b>		
<b>Interest deduction for A.Y. 2022-23</b>		
<b>(i)</b>	<b>Deduction allowable while computing income under the head “Income from house property”</b>	
	Deduction u/s 24(b) INR 4,05,000 [INR 45,00,000 × 9%] Restricted to	2,00,000
<b>(ii)</b>	<b>Deduction under Chapter VI-A</b>	
	Deduction u/s 80EEA is not permissible since: (i) loan is taken from NBFC (ii) stamp duty value exceeds INR 45 lakh. Deduction u/s 80EEA would not be permissible due to either violation listed above.	Nil
<b>Mr. C</b>		
<b>Deduction under Chapter VI-A</b>		
	Deduction u/s 80EEB for interest payable on loan taken for purchase of electric vehicle [INR 20 lakhs x 10% = INR 2,00,000, restricted to INR 1,50,000, being maximum permissible deduction]	1,50,000
<b>Mr. D</b>		
<b>Deduction under Chapter VI-A</b>		
	Deduction u/s 80EEB is not permissible since loan was sanctioned before 01.04.2019	Nil

**Concept Problem 10**

Mr. Shiva aged 58 years, has gross total income of INR 7,75,000 comprising of income from salary and house property. He has made the following payments and investments:

- Premium paid to insure the life of her major daughter (policy taken on 1.4.2018) (Assured value INR 1,80,000) – INR 20,000.
- Medical Insurance premium for self – INR 12,000; Spouse – INR 14,000
- Donation to a public charitable institution registered under 80G INR 50,000 by way of cheque.
- LIC Pension Fund – INR 60,000.
- Donation to National Children’s Fund – INR 25,000 by way of cheque
- Donation to Jawaharlal Nehru Memorial Fund – INR 25,000 by way of cheque
- Donation to approved institution for promotion of family planning – INR 40,000 by way of cheque
- Deposit in PPF – 1,00,000

Compute the total income of Mr. Shiva for A.Y. 2022-23. Ignore provisions of section 115BAC.

**Solution**

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**Computation of Total Income of Mr. Shiva for A.Y. 2022-23**

Particulars	Amount	Amount
<b>Gross Total Income</b>		<b>7,75,000</b>
<b>Less: Deduction under section 80C</b>		
Deposit in PPF	1,00,000	
Life insurance premium paid for insurance of major daughter (Maximum 10% of the assured value INR 1,80,000, as the policy is taken after 31.3.2012)	18,000	
Deduction under section 80CCC in respect of LIC pension fund	60,000	
	1,78,000	1,50,000
<b>Deduction under section 80D</b>		
Medical Insurance premium in respect of self and spouse	26,000	25,000
<b>Deduction under section 80G (See Working Note below)</b>		87,500
<b>Total income</b>		<b>5,12,500</b>

**Working Note: Computation of deduction under section 80G**

Particulars of donation	Amount donated	% of deduction	Deduction u/s 80G
National Children's Fund	25,000	100%	25,000
Jawaharlal Nehru Memorial Fund	25,000	50%	12,500
Approved institution for promotion of family planning	40,000	100% subject of qualifying limit	40,000
Public Charitable Trust	50,000	50% subject to qualifying limit (note)	10,000
			<b>87,500</b>

**Note -Adjusted total income** = Gross Total Income – Amount of deductions under section 80C to 80U except section 80G i.e., INR 6,00,000, in this case.

INR 60,000, being 10% of adjusted total income is the qualifying limit, in this case.

Firstly, donation of INR 40,000 to approved institution for family planning qualifying for 100% deduction subject to qualifying limit, has to be adjusted against this amount. Thereafter, donation to public charitable trust qualifying for 50% deduction, subject to qualifying limit is adjusted.

Hence, the contribution of INR 50,000 to public charitable trust is restricted to INR 20,000 (being, INR 60,000 – INR 40,000), 50% of which would be the deduction under section 80G. Therefore, the deduction under section 80G in respect of donation to public charitable trust would be INR 10,000, which is 50% of INR 20,000.

**Concept Problem 11**

Mr. Ganesh, a businessman, whose total income (before allowing deduction under section 80 GG) for A.Y. 2022-23 is INR 4,60,000, paid house rent at INR 12,000 p.m. in respect of residential accommodation occupied by him at Mumbai. Compute the deduction allowable to him under section 80GG for A.Y. 2022-23.

**Solution**

The deduction under section 80GG will be computed as follows:

- a) Actual rent paid less 10% of total income

$$\text{INR } 1,44,000 - (10 \times \text{INR } 4,60,000) / 100 = \text{INR } 98,000 \text{ (A)}$$

- b) 25% of total income

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$$25 \times 4,60,000 / 100 = \text{INR } 1,15,000 \text{ (B)}$$

c) Amount calculated at INR 5,000 p.m. = INR 60,000 (c)

**Deduction allowable (least of A, B and C) = INR 60,000**

### Concept Problem 12

During the PY 2021-22, ABC Ltd., an Indian company

1. Contributed a sum of INR 2 lakh to an electoral trust; and
2. Incurred expenditure of INR 25,000 on advertisement in a brochure of a political party.

Is the company eligible for deduction in respect of such contribution/expenditure assuming that the contribution was made by cheque? If so, what is the quantum of deduction?

### Solution

An Indian company is eligible for deduction under section 80GGB in respect of any sum contributed by it in the previous year to any political party or an electoral trust.

Therefore ABC Ltd. is eligible for a deduction of INR 2,25,000 under section 80GGB in respect of sum of INR 2 lakh contributed to an electoral trust in cheque.

It may be noted that there is a specific disallowance under section 37(2B) in respect of expenditure incurred on advertisement in a brochure of a political party. Therefore, the expenditure of INR 25,000 would be disallowed while computing business income/gross total income. However, the said expenditure incurred by an Indian company is allowable as a deduction from gross total income under section 80GGB.

### Concept Problem 13

Mr. A has commenced the business of manufacture of computers on 1.4.2021. He employed 350 new employees during the P.Y. 2021-22, the details of whom are as follows

S. No	No. of employees	Date of employment	Regular/casual	Total monthly emoluments per employee
i.	75	1.4.2021	Regular	24,000
ii.	125	1.5.2021	Regular	26,000
iii.	50	1.8.2021	Casual	24,500
iv.	100	1.9.2021	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Compute the deduction, if any, available to Mr. A for A.Y. 2022-23, if the profits and gains derived from manufacture of computers that year is INR 75 lakhs and his total turnover is INR 10.16 crores.

What would be your answer if Mr. A has commenced the business of manufacture of footwear on 1.4.2021?

### Solution

Mr. A is eligible for deduction u/s 80JJAA since he is subject to tax audit under section 44AB for A.Y. 2022-23 as his total turnover from business exceeds INR 2 crores and he has employed "additional employees" during the P.Y. 2021-22.

#### I If Mr. A is engaged in the business of manufacture of computers

Additional employees' cost = INR 24,000 x 12 x 75 [See working Note below] = INR 2,16,00,000

Deduction under section 80JJAA = 30% of INR 2,16,00,000 = INR 64,80,000

#### Working note:

**Number of additional employees**



Particulars	No. of workmen	
	Total number of employees employed during the year	
<b>Less:</b> Casual employees employed on 1.8.2021 who do not participate in recognized provident fund	50	
Regular employees employed on 1.5.2021 since their total monthly emoluments exceeds INR 25,000	125	
Regulars employees employed on 1.9.2021 since they have been employed for less than 240 days in the P.Y. 2021-22	100	275
<b>Number of “additional employees”</b>		<b>75</b>

- (i) Since casual employees do not participate in recognized provident fund, they do not qualify as additional employees. Further, 125 regular employees employed on 1.5.2021 also do not qualify as additional employees since their monthly emoluments exceed INR 25,000. Also, 100 regular employees employed on 1.9.2021 do not qualify as additional employees for the P.Y.2021-22, since they are employed for less than 240 days in that year.

Therefore, only 75 employees employed on 1.4.2021 qualify as additional employees, and the total emoluments paid or payable to them during the P.Y.2021-22 is deemed to be the additional employee cost.

- (ii) As regards 100 regular employees employed on 1.9.2021, they would be treated as additional employees for previous year 2022-23, if they continue to be employees in that year for a minimum period of 240 days. Accordingly, 30% of additional employee cost in respect of such employees would be allowable as deduction under section 80JJAA in the hands of Mr. A for the A.Y. 2023-24.

## II If Mr. A is engaged in the business of manufacture of footwear

If Mr. A is engaged in the business of manufacture of footwear, then, he would be entitled to deduction under section 80JJAA in respect of employee cost of regular employees employed on 1.9.2021, since they have been employed for more than 150 days in the previous year 2021-22.

Additional employee cost = INR 2,16,00,000 + INR 24,000 × 7 × 100 = INR 3,84,00,000

Deduction under section 80JJAA = 30% of INR 3,84,00,000 = INR 1,15,20,000.

### Concept Problem 14

Mr. Aakash received royalty of ₹ 2,88,000 from a foreign country for a book authored by him, being a work of literary nature. The rate of royalty is 18% of value of books. The expenditure incurred by him for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2021 is ₹ 2,30,000. The remaining amount was not remitted till 31st March, 2022. Compute the amount includible in the gross total income of Mr. Aakash and the amount of deduction which he will be eligible for under section 80QQB.

### Solution

The net royalty of ₹ 2,48,000 (i.e., royalty of ₹ 2,88,000 less ₹ 40,000, being expenditure to earn such income) is includible in gross total income.

Deduction u/s 80QQB:	Amount
Royalty ₹ 2,88,000 × 15/18 = ₹ 2,40,000	
<b>Restricted to</b>	
Amount brought into India in convertible foreign exchange within prescribed time	2,30,000
Less: Expenses already allowed as deduction while computing royalty income	40,000
<b>Deduction u/s 80QQB</b>	<b>1,90,000</b>

### Concept Problem 15

Mr. A, a resident individual aged about 61 years, has earned business income (computed) of INR 1,35,000, a lottery income of INR 1,20,000 (gross) during the P.Y. 2021-22. He also has interest on Fixed Deposit of INR

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30,000 with banks. He invested an amount of INR 1,50,000 in Public Provident Fund account. What is the total income of Mr. A for the A.Y. 2022-23 assuming that 115BAC is not opted?

### Solution

#### Computation of total income of Mr. A for A.Y. 2022-23

Particulars	Amount	Amount
<b>Profits and gains of business or profession</b>		1,35,000
<b>Income from other sources</b>		
- Interest on Fixed Deposit		30,000
- lottery income		1,20,000
<b>Gross Total Income</b>		<b>2,85,000</b>
Less: Deductions under Chapter VIA [ <b>See Note below</b> ]		
<b>Under section 80C</b> - Deposit in Public Provident Fund	1,50,000	
<b>Under section 80TTB</b> - Interest on Fixed Deposit with banks	30,000	
	1,80,000	
Restricted to		1,65,000
<b>Total Income</b>		<b>1,20,000</b>

**Note:** Though the value of eligible deductions is INR 1,80,000, however, deduction under Chapter VI-A cannot exceed the gross total income exclusive of long-term capital gains taxable under section 112 and section 112A, short-term capital gains covered under section 111A and winnings of lotteries of the Assessee.

Therefore, the maximum permissible deduction under Chapter VI-A = 2,85,000 – 1,20,000 = 1,65,000.

In case of resident individuals of the age of 60 years or more, interest on bank fixed deposits qualifies for deduction upto 50,000 under section 80TTB.

### Concept Problem 16

Mr. Gurnam, aged 42 years, has salary income (computed) of INR 5,50,000 for the previous year ended 31.03.2022. He has earned interest of INR 14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr. Gurnam for the AY 2022-23 from the following particulars:

- Life insurance premium paid to Birla Sunlife Insurance in cash amounting to INR 25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2019 and the sum assured on life of his dependent parents is INR 1,25,000.
- Life insurance premium of INR 25,000 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 INR 1,75,000 and the life insurance policy was taken on 30.3.2012.
- Life insurance premium paid by cheque of INR 22,500 for insurance of his life. The insurance policy was taken on 08.09.2018 and the sum assured is INR 2,00,000.
- Premium of INR 26,000 paid by cheque for health insurance of self and his wife.
- INR 1,500 paid in cash for his health check-up and INR 4,500 paid in cheque for health check-up for his parents, who are senior citizens.
- Paid interest of INR 6,500 on loan taken from bank for MBA course pursued by his daughter
- A sum of INR 5,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

### Solution

#### Computation of total income of Mr. Gurnam for the Assessment Year 2022-23

Particulars	Amount	Amount	Amount
Income from salary			5,50,000
Interest on saving bank deposit			14,500
<b>Gross Total Income</b>			<b>5,64,500</b>
<b>Less: Deduction under Chapter VIA</b>			
<b>Under section 80C (See Note 1)</b>			
Life insurance premium paid for life insurance of:			
- major son	25,000		
- self INR 22,500 restricted to 10% of INR 2,00,000	20,000	45,000	
<b>Under section 80D (See Note 2)</b>			
Premium paid for INR 26,000 health insurance of self and wife by cheque, restricted to	25,000		
Payment made for health check-up for parents	4,500	29,500	
<b>Under section 80E</b>			
For payment of interest on loan taken from bank for MBA course of his daughter		6,500	
<b>Under section 80TTA (See Note 4)</b>			
Interest on savings bank account INR 14,500 restricted to		10,000	91,500
<b>Total income</b>			<b>4,73,000</b>

**Notes: -**

- As per section 80C, no deduction is allowed in respect of premium paid for life insurance of parents whether they are dependent or not. Therefore, no deduction is allowable in respect of INR 25,000 paid as premium for life insurance of dependent parents of Mr. Gurnam.

In respect of insurance policy issued on or after 01.04.2012, deduction shall be allowed for life insurance premium paid only to the extent of 10% of sum assured. In case the insurance policy is issued before 01.04.2012, deduction of premium paid on life insurance policy shall be allowed up to 20% of sum assured.

Therefore, in the present case, deduction of INR 25,500 is allowable in full in respect of life insurance of Mr. Gurnam's son since the insurance policy was issued before 01.04.2012 and the premium amount is less than 20% of INR 2,50,000. However, in respect of premium paid for life insurance policy of Mr. Gurnam himself, deduction is allowable only up to 10% of INR 2,00,000 since, the policy was issued on or after 01.04.2012 and the premium amount exceeds 10% of sum assured.

- As per section 80D, in case the premium is paid in respect of health of a person specified therein and for health check-up of such person, deduction shall be allowed up to INR 25,000. Further, deduction up to INR 5,000 in aggregate shall be allowed in respect of health check-up of self, spouse, children and parents. In order to claim deduction under section 80D, the payment for health-checkup can be made in any mode including cash. However, the payment for health insurance premium has to be paid in any mode other than cash.

Therefore, in the present case, in respect of premium of INR 26,000 paid for health insurance of self and wife, deduction would be restricted to INR 25,000. Since the limit of INR 25,000 has been exhausted against medical insurance premium, no deduction is allowable for preventive health check-up for self and wife. However, deduction of INR 4,500 is allowable in respect of health check-up of his parents, since it falls within the limit of INR 5,000.

- No deduction shall be allowed under section 80G in case the donation is made in cash of a sum exceeding INR 2,000. Therefore, deduction under section 80G is not allowable in respect of cash donation of INR 15,000 made to an institution approved for the purpose of section 80G for promotion of family planning.

4. As per section 80TTA, deduction shall be allowed from the gross total income of an individual or Hindu Undivided Family in respect of income by way of interest on deposit in the savings account included in the assessee's gross total income, subject to a maximum of INR 10,000. Therefore, deduction of INR 10,000 is allowable from the gross total income of Mr. Gurnam, though the interest from savings bank account is INR 14,500.

### Concept Problem 17

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

- During the financial year 2021-22, 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.
- Subscription to notified bonds of NABARD would qualify for deduction under section 80C.
- 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.
- Where an individual repays a sum of INR 30,000 towards principal and INR 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is INR 44,000.
- Mrs. Sheela, widow of Mr. Satish (who was an employee of M/s. XYZ Ltd.), received INR 7 lakhs on 1.5.2021, being amount standing to the credit of Mr. Satish in his NPS Account, in respect of which deduction has been allowed under section 80CCD to Mr. Satish in the earlier previous years. Such amount received by her as a nominee on closure of the account is deemed to be her income for A.Y. 2022-23.
- Mr. Vishal, a Central Government employee, contributed INR 50,000 towards Tier II account of NPS. The same would be eligible for deduction under section 80CCD.

### Solution

- a) **The statement is correct.**

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.

- b) **The statement is correct.**

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.

- c) **The statement is not correct.**

There is no stipulation under section 80C that the investment, subscription, etc. should be made from out of income chargeable to tax.

- d) **The statement is not correct.**

Deduction under section 80E is in respect of interest paid on education loan. Hence, the deduction will be limited to INR 14,000.

- e) **The statement is not correct.**

A proviso has been inserted in section 80CCD (3) to provide that the amount received by the nominee, on closure of NPS account on the death of the Assessee, shall not be deemed to be the income of the nominee. Hence, amount received by Mrs. Sheela would not be deemed to be her income for A.Y. 2022-23.

- f) **The statement is not correct.**

Contribution to Tier II account of NPS would qualify for deduction under section 80C and not section 80CCD.

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**Concept Problem 18**

Discuss the allowability of the following:

- Rajan has paid a hospital INR 62,000 for treatment and spent nothing for life insurance or for maintenance of handicapped dependent.
- Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited INR 25,000 with LIC for maintenance of handicapped dependent.
- Rajan has incurred INR 20,000 for treatment and INR 25,000 was deposited with LIC for maintenance of handicapped dependent.
- Mr. X is a resident individual. He deposits a sum of INR 50,000 with Life Insurance Corporation every year for the maintenance of his handicapped grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted.

What will be the deduction if Mr. X had made this deposit for his dependant father?

**Solution**

- The deduction of INR 75,000 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 dependent with severe disability, the deduction allowable is INR 1,25,000.
- The Assessee Rajan has deposited INR 25,000 for maintenance of handicapped dependent. The Assessee is, however, eligible to claim INR 75,000 since the deduction of INR 75,000 is allowed in full, irrespective of the amount deposited with LIC. In the case of dependent with severe disability, the deduction allowable is INR 1,25,000.
- Section 80DD allows a deduction of INR 75,000 irrespective of the actual amount spent on maintenance of handicapped dependent and/or actual amount deposited with LIC. Therefore, the deduction will be INR 75,000 even though the total amount incurred/deposited is INR 45,000. If the dependent is a person with severe disability the quantum of deduction is INR 1,25,000.
- Since the amount deposited by Mr. X was for his grandfather, he will not be allowed any deduction under section 80DD. The deduction is available if the individual Assessee incurs any expense for a dependant disabled relative. Grandfather does not come within the definition of dependant relative.

Since the expense was incurred for a dependant disabled relative, Mr. X will be entitled to claim a deduction of INR 75,000 under section 80DD, irrespective of the amount deposited. In case his father has severe disability, the deduction would be INR 1,25,000.

**Concept Problem 19**

For the AY 2022-23, the Gross Total Income of Mr. Chaturvedi, a resident in India, was INR 8,18,240 which includes long-term capital gain of INR 2,45,000 taxable u/s 112 and Short-term capital gain of INR 58,000. The Gross Total Income also includes interest income of INR 12,000 from savings bank deposits with banks and 40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF INR 1,20,000 and also paid a medical insurance premium INR 51,000. Mr. Chaturvedi also contributed INR 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 31.3.2022. Ignore the provisions of section 115BAC.

**Solution****Computation of total income and tax payable by Mr. Chaturvedi for the A.Y. 2022-23**

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

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Particulars	Amount	Amount
<b>Less: Deductions under Chapter VI-A:</b>		
Under section 80C in respect of PPF deposit	1,20,000	
Under section 80D (it is assumed that premium of INR 51,000 is paid by otherwise than by cash. The deduction would be restricted to INR 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
<b>Total income (excluding long term capital gains)</b>		<b>3,35,578</b>
<b>Total income (including long term capital gains)</b>		<b>5,80,578</b>
<b>Total income (rounded off)</b>		<b>5,80,580</b>
<b>Tax on total income (including LTCG of INR 2,45,000)</b>		
LTCG INR 2,45,000 x 20%		49,000
Balance total income INR 3,35,580		1,779
		<b>50,779</b>
Add: Health and education cess @4%		2,031
<b>Total tax liability</b>		<b>52,810</b>

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

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

- Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding INR 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.
- Deduction of upto INR 50,000 under section 80TTB is allowed, inter alia, to a resident senior citizen if gross total income includes interest income on bank deposits, both fixed deposit and saving account.
- Mr. Chaturvedi, being a senior citizen is eligible for basic exemption of INR 3,00,000.

**Concept Problem 20**

Mr. Rajmohan whose gross total income was INR 6,40,000 for the financial year 2021-22 furnishes you the following information:

- Stamp duty paid on acquisition of residential house (self-occupied) INR 50,000.
- Five-year post-office time deposit - INR 20,000.

(iii) Donation to a recognized charitable trust INR 25,000 which is eligible for deduction under section 80G at the

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applicable rate.

(iv) Interest on loan taken for higher education of spouse paid during the year INR 10,000.

Compute the total income of Mr. Rajmohan for AY 2022-23 assuming that he has not opted for section 115BAC.

### Solution

#### Computation of total income of Mr. Rajmohan for the A.Y. 2022-23

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

**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, INR 5,60,000 (i.e. 6,40,000 – 80,000), 10% of which is INR 56,000, which is higher than the actual donation of INR 25,000. Therefore, the deduction under section 80G would be INR 12,500, being 50% of the actual donation of INR 25,000.

### Concept Problem 21

Compute the eligible deduction under Chapter VI-A for the AY 2022-23 of Ms. Roma, aged 40 years who has a gross total income of INR 15,00,000 for the AY 2022-23 and provides the following information about her investments/payments during the year 2021-22:

S.No.	Particulars	Amount
1.	Life Insurance premium paid (Policy taken on 01-01-2012 and sum assured is INR 4,40,000)	35,000
2.	Public Provident Fund contribution	1,50,000
3.	Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000
4.	Payment to L.I.C. Pension Fund	1,40,000
5.	Mediclaime Policy taken for self, wife and dependent children; premium paid by cheque	30,000
6.	Medical Insurance premium paid by cheque for parents (Senior Citizen)	52,000

### Solution

#### Computation of eligible deduction under Chapter VI-A of Ms. Roma for A.Y. 2022-23

Particulars	Amount	Amount
<b>Deduction under section 80C</b>		

Particulars	Amount	Amount
Life insurance premium paid INR 35,000 (allowed in full since the same is within the limit of 20% of the sum assured, the policy being taken before 1.4.2012)	35,000	
Public Provident Fund	1,50,000	
Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000	
	2,05,000	
<b>Restricted to a maximum of INR 1,50,000</b>	<b>1,50,000</b>	
<b>Deduction under section 80CCC for payment towards LIC pension fund</b>	1,40,000	
	<b>2,90,000</b>	
As per section 80CCE, aggregate deduction under, inter alia, section 80C and 80CCC, is restricted to		1,50,000
<b>Deduction under section 80D</b>		
Payment of medical insurance premium of INR 30,000 towards medical policy taken for self, wife and dependent children restricted to	25,000	
Medical insurance premium paid INR 52,000 for parents, being senior citizen, restricted to	50,000	75,000
<b>Eligible deduction under Chapter VI-A</b>		<b>2,25,000</b>

## 2. ICAI RTPS, MTPS AND PAST YEAR QUESTIONS

### Concept Problem 22

Mrs. Sharma has let out one residential house property @ INR 1,00,000 p.m. and she has paid municipal tax of INR 1,00,000.

She has taken a Medi - claim policy on 17.07.2021 in the name of Mr. Sharma and paid premium of INR 18,000 by cheque.

She has also taken a Medi- claim policy on 15.10.2021 in the name of her Father-in-law who is aged 66 years and paid premium of INR 16,000 by cheque.

She has incurred INR 21,000 on the treatment of her brother who is dependent on her and suffering from severe disability.

She has purchased NSC in P.Y. 2019-20 and there is accrued interest of INR 30,000 and also there is accrued interest of PPF INR 10,000.

She has taken Jeevan Suraksha Policy in the name of Mr. Sharma and paid premium of INR 19,000.

She has taken loan in 2015-16 from SBI for the education of his son who is studying in B. Com (Hons) in SRCC and she had paid principal amount of INR 60,000 and interest INR 10,000 in PY 2021-22.

She has Agricultural Income INR 1,00,000.

Compute her Income Tax Liability for the AY 2022-23. Ignore provisions of section 115BAC

### Solution

#### Computation of Total Income for AY 2022-23

Computation of income under the head House property	Amount
Gross Annual value	12,00,000
Less: Municipal Tax	(1,00,000)
<b>Net Annual value</b>	<b>11,00,000</b>

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Less 30% of NAV u/s 24 (a)	(3,30,000)
Less: Interest on capital borrowed u/s 24 (b)	NIL
<b>Income under the head House Property</b>	<b>7,70,000</b>
Income under the head other sources	30,000
<b>Gross Total Income</b>	<b>8,00,000</b>
Less: Deductions	
Deduction u/s 80C for NSC	(30,000)
Deduction u/s 80CCC for Jeevan Suraksha Policy	Nil
Deduction u/s 80D for medi-claim policy	(18,000)
Deduction u/s 80DD for Severe Disability	(1,25,000)
Deduction u/s 80E for Education Loan Interest	(10,000)
<b>Total Income</b>	<b>6,17,000</b>
<b>Agricultural Income</b>	<b>1, 00 000</b>

### Computation of Tax Liability

Particulars	Amount
Step 1 Tax on (6,17,000 + 1,00,000) at slab rates	55,900
Step 2 Tax on (2,50,000 + 1,00,000) at slab rates	(5,000)
<b>Deduct Tax at Step 2 from step 1</b>	<b>50,900</b>
<b>Tax before Health and education cess</b>	<b>50,900</b>
Add: Health and education cess @4%	2,036
<b>Tax Liability Rounded off u/s 288B</b>	<b>52,936</b>

### Concept Problem 23

Mr. Darshan aged 61 years, working with G Ltd., submits the following particulars of investments and payments made by him during the previous year 2021-22:

- Deposit of INR 1,50,000 in public provident fund
- Payment of life insurance premium of INR 62,000 on the policy taken on 01.4.2019 to insure his life (Sum assured – INR 3,00,000).
- Deposit of INR 55,000 in a five-year term deposit with bank.
- Contributed INR 1,95,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by G Ltd.
- On 1.4.2021, Mediciam premium of INR 1,08,000 and INR 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years medical insurance and incurred INR 46,000 towards medical expenditure of his father, aged 90 years, not dependent on him. No insurance policy taken for his father.
- He spent INR 6,000 for the preventive health-check-up of his wife.
- He has incurred an expenditure of INR 90,000 for the medical treatment of his mother, being a person with severe disability.

His income comprises of income from salary of INR 18,50,000 and interest on fixed deposits of INR 75,000. Compute the deduction available to Mr. Darshan under Chapter VI-A for A.Y.2022-23.

Would your answer be different, if Mr. Darshan contributed INR 1,30,000 (being, 10% of his salary) towards NPS of the Central Government?

**Solution****i) Deduction available to Mr. Darshan under Chapter VI-A for A.Y.2022-23**

Section	Particulars	INR	INR
<b>80C</b>	Deposit in public provident fund	1,50,000	
	Life insurance premium paid INR 62,000 (deduction restricted to INR 30,000, being 10% of INR 3,00,000, which is the sum assured, since the policy was taken on or after 01.04.2012)	30,000	
	Five-year term deposit with bank	55,000	
		<b>2,35,000</b>	
		Restricted to	<b>1,50,000</b>
<b>80CCD(1)</b>	Contribution to NPS of the Central Government, INR 1,45,000 [INR 1,95,000 – INR 50,000, being deduction under section 80CCD(1B)], restricted to 10% of salary [INR 1,95,000 x 10/15] [See Note 1]		1,30,000
			<b>2,80,000</b>
<b>80CCE</b>	Aggregate deduction u/s 80C and 80CCD(1), INR 2,80,000, but restricted to		<b>1,50,000</b>
<b>80CCD(1 B)</b>	INR 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
<b>80CCD(2)</b>	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,30,000
<b>80D</b>	(i) (a) Medical insurance premium for self and his wife, deduction would be equal to INR 47,000 (INR 27,000 + INR 20,000), being 1/4 <sup>th</sup> of lumpsum premium, since policies would be in force for four previous years.	47,000	
	(i) (b) Preventive health check-up INR 6,000 for wife restricted to INR 3,000 (INR 50,000 - INR 47,000, since maximum allowable deduction is INR 50,000 in case Assessee or one of the family members is senior citizen)	<u>3,000</u>	
		<b>50,000</b>	
	(ii) Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name	<b>46,000</b>	
		<b>Total of (i) and (ii)</b>	<b>96,000</b>
<b>80DD</b>	Deduction of INR 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is INR 90,000		1,25,000
<b>80TTB</b>	Interest on fixed deposits with bank of INR 75,000, deduction restricted to		50,000
<b>Deduction under Chapter VI-A</b>			<b>6,01,000</b>

**Notes:**

- The deduction under section 80CCD(1B) would not be subject to overall limit of INR 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Darshan to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of INR 1,45,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of salary i.e., INR 1,30,000.
- The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction under section 80CCD(2) would be

allowed, subject to a maximum of 10% of salary. Deduction under section 80CCD(2) is also not subject to the overall limit of INR 1,50,000 under section 80CCE.

3. If the contribution towards NPS is INR 1,30,000, here again, it is beneficial for Mr. Darshan to first claim deduction of INR 50,000 under section 80CCD(1B) and the balance of INR 80,000 can be claimed under section 80CCD(1), since the deduction available under section 80CCD(1B) is over and above the aggregate limit of INR 1,50,000 under section 80CCE.

In any case, the aggregate deduction of INR 2,30,000 [i.e., INR 1,50,000 under section 80C and INR 80,000 under section 80CCD(1)] cannot exceed the overall limit of INR 1,50,000 under section 80CCE. The total deduction under Chapter VIA would remain the same i.e., INR 6,01,000.

### Concept Problem 24

Mr. Arihant, a resident individual aged 40 years, has Gross Total Income of INR 7,50,000 comprising of income from Salary and income from house property for AY 2022-23. He provides the following information:

- Paid INR 70,000 towards premium for life insurance policy of his handicapped son (section 80U disability). Sum assured INR 4,00,000; and date of issue of policy 1-8-2020.
- Deposited INR 90,000 in tax saver deposit in the name of his major son in Punjab National Bank of India.
- Paid INR 78,000 towards medical insurance for the term of 3 years as a lumpsum payment for himself and his spouse. Also, incurred INR 54,000 on medical expenditure of his father, a resident aged 68 years. No medical insurance policy is taken in the name of his father. His father earned INR 4,50,000 interest from fixed deposit.
- Contributed INR 25,000 to The Clean Ganga Fund, set up by the Central Government.

Compute the Total Income and deduction under Chapter VI-A for the Assessment year 2022-23.

### Solution

Computation of Total Income of Mr. Arihant for A.Y. 2022-23

Particulars	Amount	Amount	Amount
Gross Total Income			7,50,000
Less: Deduction under Chapter VI-A			
<b>Under section 80C</b>	60,000		
- Life insurance premium of INR 70,000 (restricted to INR 60,000 i.e., 15% of INR 4,00,000, being the sum assured, since the policy has been taken on or after 01.04.2013, in respect of his handicapped son suffering from disability u/s 80U)			
- Tax saver deposit of INR 90,000 in the name of his major son does not qualify for deduction under section 80C, since such deposit has to be made in the name of the Assessee himself to qualify for deduction u/s 80C	Nil	60,000	
<b>Under section 80D</b>	25,000		
- Medical insurance premium for self and his wife, pertaining to the previous year 2020-21 is 26,000, being 1/3 <sup>rd</sup> of 78,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to			
- Deduction in respect of medical expenditure of INR 54,000 for his father, being a senior citizen would be allowable, since no insurance policy is taken in his name, to the extent of	50,000	75,000	
<b>Under section 80G</b>			
- Contribution by a resident towards the Clean Ganga Fund, set up		25,000	1,60,000

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Particulars	Amount	Amount	Amount
by the Central Government would be eligible for 100% deduction without any qualifying limit.			
<b>Total Income</b>			<b>5,90,000</b>

**Concept Problem 25**

Mr. Raj has income from business/profession INR 6,00,000 and long-term capital gain INR 4,00,000 and short-term capital gain u/s 111A INR 2,00,000 and casual income INR 1,00,000.

He has paid premium of a medi-claim policy amounting to INR 20,000 taken in the name of his dependent grandfather who is senior citizen and payment was made by a cheque on 09.01.2022.

He has paid premium of Jeevan Suraksha policy INR 7,000, has donated INR 12,000 to the National Defense Fund, INR 4,000 to Rajiv Gandhi Foundation and INR 3,00,000 to a charitable institution and INR 1,00,000 to a social organization and INR 4,00,000 to religious organization. All such organizations are notified under section 80G. (All the donations were made by cheque)

Compute his total income and tax liability for the AY 2022-23. Ignore provisions of section 115BAC

**Solution****Computation of Total Income for A.Y. 2022-23**

Particulars	Amount
Income under the head Business/Profession	6,00,000
Income under the head Capital Gains (LTCG)	4,00,000
Income under the head Capital Gain (STCG u/s 111A)	2,00,000
Income under the head Other Sources (casual income)	1,00,000
<b>Gross Total Income</b>	<b>13,00,000</b>
Less: Deduction u/s 80CCC	(7,000)
Less: Deduction u/s 80G	
(i) National Defense Fund	(12,000)
(ii) Rajiv Gandhi Fund	(2,000)
(iii) Charitable Institution/ Social organization/ Religious organization	(34,650)
<b>Total Income</b>	<b>12,44,350</b>

**Working Note:**

Charitable Institution	3,00,000
Social organization	1,00,000
Religious organization	<u>4,00,000</u>
	<b>8,00,000</b>

**AGTI** = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)

$$= 13,00,000 - 4,00,000 - 2,00,000 - 7,000$$

$$= 6,93,000$$

**Qualifying amount** = 10% of AGTI or donation whichever is less

$$= 69,300 \text{ or } 8,00,000 \text{ whichever is less}$$

$$= 69,300$$

50% of the qualifying amount = 34,650

### Computation of Tax Liability

Particulars	Amount
Tax on casual income INR 1,00,000 @ 30% u/s 115BB	30,000
Tax on STCG INR 2,00,000 @ 15% u/s 111A	30,000
Tax on LTCG INR 4,00,000 @ 20% u/s 112	80,000
Tax on normal income INR 5,44,350 at slab rate	21,370
<b>Tax before Health and education cess</b>	<b>1,61,370</b>
Add: Health and education Cess @ 4%	6,454.8
<b>Tax Liability</b>	<b>1,67,824.8</b>
<b>Rounded off u/s 288B</b>	<b>1,67,820</b>

### Concept Problem 26

Compute the deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2022-23. Mr. Dhyanchand, aged 65 years, is working with ABC Ltd. His income comprises of salary of Rs. 18,50,000 and interest on fixed deposits of Rs. 75,000. He submits the following particulars of investments and payments made by him during the previous year 2021-22.

- Deposit of Rs. 1,50,000 in public provident fund
- Payment of life insurance premium of Rs. 62,000 on the policy taken on 01.4.2018 to insure his life (Sum assured – Rs. 4,00,000).
- Deposit of Rs. 45,000 in a five year term deposit with bank.
- Contributed Rs. 2,10,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by ABC Ltd.
- On 1.4.2021, Medclaim premium of Rs. 1,08,000 and Rs. 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years.
- Incurred Rs. 46,000 towards medical expenditure of his father, aged 85 years, not dependent on him. No insurance policy taken for his father.
- He spent Rs. 6,000 for the preventive health-checkup of his wife.
- He has incurred an expenditure of Rs. 90,000 for the medical treatment of his mother, being a person with severe disability.

### Solution -

#### Deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2022-23

Section	Particulars	Amount	Amount
<b>80C</b>	Deposit in public provident fund	1,50,000	
	Life insurance premium paid Rs. 62,000 (deduction restricted to Rs. 40,000, being 10% of Rs. 4,00,000, which is the sum assured, since the policy was taken on or after 01.04.2012)	40,000	
	Five year term deposit with bank	45,000	
		2,35,000	
	<b>Restricted to</b>	<b>1,50,000</b>	
<b>80CCD(1)</b>	Contribution to NPS of Central Government, Rs. 1,60,000 [Rs. 2,10,000 – Rs. 50,000, being deduction u/s 80CCD(1B)], restricted to 10% of salary [Rs. 2,10,000 x 10/15] <b>[See Note 1]</b>	1,40,000	

This Question Bank is meant for Nov 2022 exams and must be read with our Lectures (Regular or Fast Track) as many additional concepts are covered in class. We do lots of written practice in class & Kishan Sir personally evaluates grand Mock Test. Must cover Income Tax Chalisa Handwritten Notes as well.

Section	Particulars	Amount	Amount
		2,90,000	
<b>80CCE</b>	Aggregate deduction u/s 80C and 80CCD(1), Rs. 2,90,000, but restricted to		1,50,000
<b>80CCD(1B)</b>	Rs. 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
<b>80CCD(2)</b>	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,40,000
<b>80D</b>	a. <b>Medical insurance premium for self and his wife</b> Deduction would be equal to Rs. 47,000 (Rs. 27,000 + Rs. 20,000), being 1/4 <sup>th</sup> of lumpsum premium, since policies would be in force for four previous years.	47,000	
	b. Preventive health checkup Rs. 6,000 for wife restricted to Rs. 3,000 (Rs. 50,000 - Rs. 47,000, since maximum allowable deduction is Rs. 50,000 in case assessee or one of the family member is senior citizen)	3,000	
	<b>(i)</b>	<b>50,000</b>	
	Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name <b>(ii)</b>	46,000	
	<b>Total of (i) and (ii)</b>		<b>96,000</b>
<b>80DD</b>	Deduction of Rs. 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is Rs. 90,000		1,25,000
<b>80TTB</b>	Interest on fixed deposits with bank of Rs. 75,000, deduction restricted to		50,000
	<b>Deduction under Chapter VI-A</b>		<b>6,11,000</b>

**Notes:**

- The deduction u/s 80CCD(1B) would not be subject to overall limit of Rs. 1.5 lakh u/s 80CCE. Therefore, it is more beneficial for Mr. Dhyanchand to claim deduction u/s 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of Rs. 1,60,000 can be claimed as deduction u/s 80CCD(1), subject to a maximum limit of 10% of salary i.e. Rs. 1,40,000.
- The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction u/s 80CCD(2) would be allowed, subject to a maximum of 10% of salary. Deduction u/s 80CCD(2) is also not subject to the overall limit of Rs. 1,50,000 u/s 80CCE.