

Chapter 10 - Deductions u/c VI-A

Basics

Basic understanding

Deductions are given after clubbing and set-off, carry forward and set-off of losses.

- Deductions are given under section 80C to 80U.
- These deductions are of two types
 - Deduction on account of certain payment and investment covered under section 80C to 80 GGC.
 - Deduction on account of certain incomes which are already included in the gross total income covered under section 80IA to 80U.
- The income arrived after deduction under chapter VI-A is known as total income.

Deduction under chapter VI-A not allowed

- Deductions u/c VI-A are not allowed from the following incomes:-
 - Any Type of Long term capital gain (LTCG).
 - Short term capital gain (STCG) only on equity shares u/s 111A.
 - Any Winning from lotteries, horse races etc.
 - Winning from online gaming.

Basic Rules related to deductions.

- Deductions under section 80C to 80U will be allowed only if assessee opts to shift out of Default tax regime u/s 115BAC. (Except 80CCD(2), 80CCH(2), 80JJAA)
- Deductions cannot exceed gross total income.
- Deduction should have been claimed in return of income; if it is not claimed then it shall not be allowed.
- Deduction admissible under any provisions of Chapter VI-A-Part C will be allowed, only if return of income is furnished on or before the due date.
- Once the assessee has claimed the benefit of deduction under section 35AD for a particular year in respect of a specified business, he cannot claim benefit under Chapter VI-A under the heading "C.-Deductions in respect of certain incomes" for the same or any other year and vice versa.
- Few deductions under heading "C" included in CA Inter Syllabus.
 - Deduction in respect of employment of new employees - 80JJAA
 - Deduction in respect of royalty income, etc., of authors of certain books other than text books 80QQB
 - Deduction in respect of royalty on patents 80RRB

Deduction in case of assessee paying concessional rates of tax

If the assessee pays concessional rates of tax under default tax regime u/s 115BAC, only deduction in respect of

- Employer's contribution to NPS u/s 80CCD(2),
- Central Government's contribution to Agnipath scheme u/s 80CCH (2) and
- Deduction in respect of employment of new employees u/s 80JJAA

would be allowed to the assessee.

Section 10AA is not available if the assessee pays concessional rates of tax under the default tax regime u/s 115BAC. Section 10AA deals with Deduction to SEZ units.

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	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.

80D - Deduction in respect of health insurance premium

Eligible Assessee	Individual & HUF
Payment for	Medical Insurance Premium, Central Govt. Health Scheme, Preventive Health checkup & Medical Treatment
For whom	Individual - Self, Spouse, Dependent children, Parents (Whether dependent or Not) HUF - Any member of HUF.
Any Condition	Payment by Any mode other than Cash, but payment of preventive health checkup can be made in Cash.

PARTICULARS	Individual		HUF
	Family (Self, Spouse, Dependent Children)	Parents (In addition to Family)	For HUF members
Medical Insurance Premium	Allowed	Allowed	Allowed
CGHS	Allowed	Not allowed	Not allowed
Preventive Health Check up - Allowed in Cash Also	Allowed	Allowed	Not allowed
	Aggregate payment for preventive health check up of self, spouse, dependent children & parents cannot exceed ₹ 5000		NA.
Maximum Limit (If no one insured is a senior citizen)	₹ 25,000	₹25,000 (In addition to family)	₹ 25,000
Maximum Limit (If any one insured is a senior citizen)	₹ 50,000	₹ 50,000 (In addition to family)	₹ 50,000

For Senior Citizens, Deduction of Amount Spent on Medical Expenditure will be allowed, if health insurance coverage is not available. Maximum deduction for such medical expenditure = ₹50,000. The overall deduction cannot exceed ₹ 50,000.

Where the medical insurance premium is paid in lump sum for more than 1 year, deduction for each year shall be : **Lump Sum premium / Previous years in which Insurance in force.**

80D - Available only if the individual/ HUF exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

80DD, 80U, 80DDB

Section	Assessee	Payment For	Deduction Amount	Condition(s)
80DD	R - I/HUF	<p>Medical treatment or Amount Paid or deposited under a scheme framed in this behalf for the maintenance of a dependant, being a person with disability</p> <p>Meaning of dependant -</p> <p>In case of individual the spouse, children, parents, brother or sister of the individual who is wholly or mainly dependant on such individual and not claimed deduction under section 80U in the computation of his income</p> <p>In case of HUF - a member of the HUF, wholly or mainly dependant on such HUF and not claimed deduction under section 80U in the computation of his income</p>	<p>Normal Disability - Rs. 75,000</p> <p>Severe disability (i.e. person with 80% or more disability) the deduction shall be Rs.1,25,000.</p> <p>The deduction is allowed irrespective of the amount spent by the assessee.</p> <p>If disability is less than 40% then no deduction will be allowed under this section.</p>	<p>The assessee shall have to furnish a copy of the certificate issued by the medical authority along with the return of income under section 139</p> <p>Where the condition of disability requires reassessment, a fresh certificate from the medical authority shall have to be obtained after the expiry of the previous year during which the aforesaid certificate of disability had expired.</p> <p>The scheme provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability,—</p> <ul style="list-style-type: none"> in the event of the death of the individual or the member of the Hindu undivided family in whose name subscription to the scheme has been made; or on attaining the age of sixty years or more by such individual or the member of the Hindu undivided family, and the payment or deposit to such scheme has been discontinued. <p>If the dependant, being a person with disability, predeceases the individual or the member of HUF, in whose name subscription was made, then the amount paid or deposited under the said scheme would be chargeable to tax in the hands of the assessee in the</p>

				<p>previous year in which such amount is received by the assessee</p> <p>Amount received by the dependant, being a person with disability, before his death, by way of annuity or lump sum because of attaining the age of sixty years or more by such individual or the member of the Hindu undivided family, will not be taxable</p> <p>The benefit of deduction under this section is also available to persons suffering from autism, cerebral palsy and multiple disabilities.</p>
80U	R- I Only who, at any time during the previous year, is certified by the medical authority to be a person with disability.	Same as above	Same as above	Same as above
80DDB	R- I/HUF	<p>The deduction is available to an individual for <u>medical expenditure incurred on himself or a dependent.</u></p> <p>It is also available to a Hindu undivided family (HUF) for such expenditure incurred on any of its members.</p> <p>Medical expenditure should be on treatment of specified disease.</p> <p>Example of Specified Diseases</p> <ol style="list-style-type: none"> i. Dementia ; ii. Dystonia Musculorum Deformans ; iii. Motor Neuron Disease iv. Ataxia ; v. Chorea ; vi. Hemiballismus ; 	<p>The amount of deduction under this section shall be equal to the amount actually paid or Rs. 40,000, whichever is less, in respect of that previous year in which such amount was actually paid.</p> <p>In case the amount is paid in respect of a <u>senior citizen</u>, i.e., a resident individual of the age of 60 years or more at any time during the relevant previous year, then</p>	<p>The <u>deduction under this section shall be reduced</u> by the amount received, if any, under an insurance from an insurer, or reimbursed by an employer, for the medical treatment of the assessee or the dependant</p> <p>No such deduction shall be allowed unless the assessee obtains the prescription for such medical treatment from a neurologist, an oncologist, a urologist, a hematologist, an immunologist or such other specialist, as may be prescribed.</p>

		vii. Aphasia ; viii. Parkinson's Disease Meaning of Dependant same as in 80DD	the deduction would be the amount actually paid or Rs.1,00,000, whichever is less	
<p>Available only if the individual/ HUF exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)</p>				

Deduction in respect of interest loan taken for higher education [Section 80E]

Available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

- Section 80E provides deduction to
 - an **individual**-assessee
 - in respect of any **interest** on loan
 - paid by him in the previous year out of his income chargeable to tax.
- The loan must have been taken for the purpose of pursuing **his**
 - **higher education** or
 - for the purpose of higher education for his or her relatives.
 - The loan must have been taken from any **financial institution or approved charitable institution**.
 - Spouse and children of the individual or the student for whom the individual is the legal guardian.



- Meaning of "Higher education":
 - It means any course of study
 - (including vocational studies)
 - pursued after passing
 - the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so.
- Period of deduction 8 Assessment years
 - The deduction is allowed in computing the total income in respect of the initial assessment year (i.e. the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan) and

- seven assessment years immediately succeeding the initial assessment year or until the interest is paid in full by the assessee, whichever is earlier.

80EE, 80EEA, 80EEB

Section	80EE	80EEA	80EEB
Assessee	Individual	Individual, Not eligible to claim deduction u/s 80EE	Individual
Deduction for	Interest on Loan from any financial institution for the purpose of acquisition of a residential property.	Interest on Loan from any financial institution for the purpose of acquisition of a residential property.	interest payable on loan taken by him from any financial institution for the purpose of purchase of an electric vehicle.
Maximum Amount	₹ 50,000	₹ 1,00,000	₹ 1,50,000
Financial Institution	Banks Housing Finance Company	Banks Housing Finance Company	Banks Deposit Taking NBFC A systemically important non-deposit taking NBFC i.e., a NBFC which is not accepting or holding public deposits and having total assets of not less than ₹500 crore as per the last audited balance sheet and is registered with the RBI.
Allowed from and Loan sanction period	loan sanctioned during the period beginning on the 1st day of April, 2016 and ending on the 31st day of March, 2017	Allowed for the assessment year beginning on the 1st day of April, 2020 and subsequent assessment years. the loan has been sanctioned during the period beginning on the 1st day of April, 2019 and ending on the 31st day of March, 2022	Allowed for the assessment year beginning on the 1st day of April, 2020 and subsequent assessment years Loan sanctioned period beginning on the 1st day of April, 2019 and ending on the 31st day of March, 2023.
Other conditions	The amount of loan \leq ₹ 35 Lakhs. Value of residential house property \leq ₹ 50 Lakhs. The assessee does not own any residential house property on the date of sanction of loan.	The stamp duty value of residential house property \leq ₹ 45 Lakhs. The assessee does not own any residential house property on the date of sanction of loan. The individual should not be eligible to claim deduction u/s 80EE	Electric vehicle" means a vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy;

The interest allowed as deduction under section 80EE, 80EEA, 80EEB will not be allowed as deduction under any other provision of the Act for the same or any other assessment year. **Available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)**

Deduction in respect of donations to certain funds, charitable institutions etc. Section 80G

- Deduction under this section is allowed to

- **all assessee,**
- whether company or non-company, having income under any head.
- The donation should be a sum of money.
- **Donations in kind do not qualify for deduction.**
- No deduction shall be allowed under this section of donation of any sum exceeding Rs. 2,000 unless such sum is paid by any mode other than cash.
- **In case of an individual, HUF, AOP (other than a co-operative society) or BOI or an artificial juridical person will be eligible for deduction us 80GGA only if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1). It would not be available if they pay concessional rates of tax under the default tax regime u/s 115BAC.**
- **In case of companies and co-operative societies, deduction would not be available if they opt for the special provisions u/s 115BAA/ 115BAB and section 115BAD/ 115BAE, respectively. In other words, deduction would be available only if they pay tax under the normal provisions of the Act.**

There are four categories of deductions under 80G

100% Deduction (without any qualifying limit) - Donations made to following are eligible for 100% deduction without any qualifying limit.

1. National defense fund set up by the central govt.
2. Prime minister's national relief fund.
3. Prime minister's Armenia earthquake relief fund.
4. Africa (public contributions-India) fund.
5. National foundation for communal harmony.
6. An approved university / educational institute of national eminence.
7. Maharashtra chief minister's earthquake relief fund.
8. Fund set up by Gujarat govt. for providing relief to the victims of Gujarat earthquake.
9. Zila saksharta samiti constituted in any district.
10. The national blood transfusion council or any state blood transfusion council.
11. Any fund set up by a state govt. to provide medical relief to the poor.
12. The army central welfare fund or the Indian naval benevolent or the air force central welfare fund.
13. National illness assistance fund.
14. The chief minister's relief fund or the lieutenant governor's relief fund in respect of any state or union territory, as the case may be.
15. National sports fund set up by the central government.
16. National cultural fund set up by the central government.
17. Fund for technology development and application.
18. National trust for welfare of persons with mental retardation and multiple disabilities.
19. National Children Fund. (FA 2013)
20. The Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of CSR u/s 135(5) of the Companies Act, 2013
21. The Clean Ganga Fund, set up by the Central Government, where such assessee is a resident, other than the sum spent in pursuance of CSR u/s 135(5) of the Companies Act, 2013
22. The National Fund for Control of Drug Abuse.
23. Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund)

50% Deduction (without any qualifying limit) - 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. ~~Indira Gandhi memorial trust~~
4. ~~Rajiv Gandhi foundation~~

Donations to the following are eligible for 100% deduction subject to qualifying limit;

1. Donation to Govt. or any approved local authority, institution or association to be utilized for promoting family planning.
2. Sum paid by a company as donation to the Indian Olympic Association or any other association/institution established in India, as may be notified by the Government for the development of infrastructure for sports or games, or the sponsorship of sports and games in India

50% Deduction subject to qualifying limit

1. Donations to the following are eligible for 50% deduction to qualifying limit:
2. Donation to govt. or any approved local authority, institution or association to be utilized for any charitable purpose other than promoting family planning.
3. Any approved charitable institution which satisfies the condition of section 80G. The institution should not be for the benefits of any particular community.
4. To any authority for satisfying the need for housing accommodation or any corporation for promoting interests of minority communities.
5. Any notified temple, mosque, gurudwara, church or other place notified by the central government to be of historic, archaeological or artistic importance, for renovation or repair of such a place.

Qualifying limit

For calculating the qualifying limit, all donations made to funds / institutions covered under (III) and (IV) above shall be aggregated and the sum total shall be limited to 10% of adjusted gross total income. (such amount shall be maximum donation which shall be considered for both III and IV)

Adjusted gross total income means

- Gross total income
- Less: long term capital gains
- Less: short term capital gains u/s 111A
- Less: deduction under other Sections of chapter VI-A (but without deducting deduction u/s 80-G).

Steps for computation of qualifying limit

1. Compute adjusted total income
2. Calculate 10% of adjusted total income
3. Calculate the actual donation, which is subject to the qualifying limit.
4. Lower of Step 2 or Step 3 is the maximum permissible deduction.
5. The said deduction is adjusted first against donations qualifying for 100% deduction . Thereafter, 50% of balance qualifies for deduction under section 80G.

Calculate the deduction to be allowed u/s 80G in the following cases

AGTI	QL	Donation 80G - 100% WQL	Donation 80G -50% WQL	Deduction allowed u/s 80G
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6,00,000	60,000	1,00,000	0	60,000
6,00,000	60,000	50,000	0	50,000
6,00,000	60,000	0	1,00,000	
6,00,000	60,000	0	50,000	
6,00,000	60,000	50,000	10,000	
6,00,000	60,000	10,000	50,000	
6,00,000	60,000	40,000	50,000	

Section 80GGB

- In computing the total income of an Indian company
- Deduction shall be allowed of contribution made in the previous year to a political party or an electoral trust.
- As per the latest guidelines, any advertisement from a company on a platform owned by a Political Party would be considered as a contribution under Section 80 GGB. It is therefore eligible for income tax deduction. This includes social media, magazines, newspapers, etc.
- 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.

Section 80GGC

- In computing the total income of any person, except local authority and every artificial juridical person wholly or partly funded by the government.
- Deduction shall be allowed of contribution made in the previous year to a political party or an electoral trust.
- **An individual, HUF, AOP (other than a co-operative society) or BOI would be eligible for deduction u/s 80GGC only if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). A Co-operative society will not be eligible for deduction if it opts for special provision of section 115BAD/ 115BAE.**

No deduction shall be allowed under these section in respect of any sum contributed by way of cash.

80 TTA - Deduction in respect of interest on deposits in savings accounts

Available only if the individual/ HUF exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

- If the gross total income of an assessee,
 - being an individual or a Hindu undivided family (whether R or NR),
 - other than the assessee referred to in section 80TTB
 - includes any income by way of interest on deposits in a savings account with specified bodies like
 - banks,
 - post office.
 - Co-operative society
- Deduction shall be allowed of Rs. 10,000 or interest received whichever is less.
- If a savings bank account is in the name of any firm, AOP, BOI, etc then no deduction can be claimed either by the firm etc or the partner/members.

80TTB - Deduction in respect of interest on deposits in case of senior citizens Section

Available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

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- A Senior citizen (an individual who is of the age of 60 years or more at any time during the relevant previous year + Resident of India),
- whose gross total income includes income by way of interest on deposits with –
 - a banking company to which Banking Regulation Act, 1949 applies
 - a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank)
 - a Post Office.

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Actual amount of interest on deposits or Rs. 50,000, whichever is lower.

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If saving bank account is in the name of any firm, AOP, BOI, etc then no deduction can be claimed either by firm etc or the partner/members.

Deduction in respect of donations for scientific research and rural development Section 80GGA

An individual, HUF, AOP (other than a co-operative society) or BOI or an artificial juridical person, deduction would be available only if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

- An assessee (other than assessee whose GTI includes income chargeable under the head PGBP)
- Donation to
 - approved research association, university, college or other institution to be used for scientific research or rural development.
 - A contribution can also be for the purpose of an eligible project/ scheme under 35AC or for the purpose of the notified national fund for rural development or notified national urban poverty eradication fund.
- Amount of deduction - 100% of amount donated or contributed
- Any donation paid by cash shall be allowed as deduction only if the sum does not exceed Rs. 2,000.

80GG Deduction in respect of rent paid

Available only if the individual/ HUF exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

In computing the total income of

- an assessee, not being an assessee having any income falling within clause (13A) of section 10,
- there shall be deducted any expenditure incurred by him
 - in excess of ten percent of his total income (Adjusted gross total income) towards payment of rent (by whatever name called)
 - in respect of any furnished or unfurnished accommodation occupied by him for the purposes of his own residence,
 - to the extent to which such excess expenditure does not to exceed
 - five thousand rupees per month or
 - twenty-five per cent of his total income (Adjusted gross total income) for the year,
 - whichever is less,

- The accommodation should be occupied by the assessee for the purposes of his own residence.
- The assessee or his spouse or his minor child or a HUF of which he is a member should not own any accommodation at the place where he ordinarily resides or perform duties of his office or employment or carries on his business or profession;
- If the assessee owns any accommodation at any place other than that referred to above, such accommodation should not be in the occupation of the assessee and its annual value should not be taken to as nil.

Adjusted gross total income means

Gross total income

Less: long term capital gains

Less: short term capital gains u/s 111A

Less: deduction under other sections of chapter VI-A (but without deducting deduction u/s 80GG).

80JJAA Deduction in respect of employment of new employees

Where the gross total income of

- an assessee
- to whom section 44AB applies,
- includes any profits and gains derived from business,
- a deduction of an amount equal to **30% of additional employee cost** incurred in the course of such business in the previous year,
- would be allowed for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

Additional Employee Cost

- Existing business
 - The additional employee cost shall be Nil,
 - If there is no increase in the number of employees from the total number of employees employed as on the last day of the preceding year
 - Emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed.
 - In the first year of a new business
 - The emoluments paid or payable to employees employed during that previous year shall be deemed to be the additional employee cost.

Additional employee

- An employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year.
- Exclusions from the definition
 - an employee whose total emoluments are more than Rs. 25,000 per month; or
 - an employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; or
 - an employee who does not participate in the recognised provident fund.
 - an employee employed for a period of less than 240 days during the previous year. (Minimum 240 Days employed होना चाहिए)

- In case of an assessee engaged in the business of manufacturing of apparel or footwear or leather products, an employee employed for a period of less than 150 days during the previous year; or
- If an employee is employed during the previous year for less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year. Accordingly, the employer would be entitled to deduction of 30% of additional employee cost of such employees in the succeeding year.

Emoluments

Any sum paid or payable to an employee in lieu of his employment by whatever name called.

- Exclusions from the definition
 - Any contribution paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee under any law for the time being in force; and
 - Any lump-sum payment paid or payable to an employee at the time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.

Other Conditions

- The business should not be formed by splitting up, or the reconstruction, of an existing business
- The business is not acquired by the assessee by way of transfer from any other person or as a result of any business reorganisation
- The report of the accountant, giving the prescribed particulars, has to be furnished one month prior to the due date of furnishing of return.

Deduction in respect of royalty income etc 80QQB

Available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

- Who is eligible - Individual resident in India.
- Amount of deduction
 - An assessee shall be allowed deduction of
 - Rs.3,00,000 or
 - Actual royalty
 - whichever is less.

Notes

- Deduction is allowed for income from assignment of copyright of any book.
- Such a book should be a work of literary, artistic or scientific nature and not textbooks for schools, guides, commentaries, newspapers, journals, pamphlets and other publications of similar nature.
- Royalty or copyright fees in excess of 15% of the value of the books sold during the previous year shall be ignored. However, this condition is not applicable where the royalty is receivable in lump sum.
- If royalty is received from outside India then it must be brought into India within 6 months from the end of the previous year.
- For claiming deduction a certificate has to be taken from a specified officer.

Royalty for Patents Section 80RRB

Available only if the individual exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

- Allowed to resident individuals who are registered as true and first inventors in respect of an invention under the Patents Act.
- Amount of deduction
 - Rs.3,00,000 or
 - Actual Amount Received
- whichever is less.

Notes: -

- Deduction is in respect of income by way of royalty of a patent.
- This deduction shall be available only to a resident individual who is registered as the true and first inventor in respect of an invention under the Patents Act, 1970, including the co-owner of the patent.
- If royalty is received from outside India, then it must be brought into India within 6 months from the end of the previous year
- For claiming deduction, a certificate has to be taken from a specified officer.

Section 80C

Available only if the individual/ HUF exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

Eligible Assessee

Individual & HUF

Amount of deduction

₹1,50,000 [Overall Limit]

Payment for**Deduction for Payment of Life Insurance Premium or Contribution to Unit linked Insurance Plan**

- a. Individual - Self, Spouse, Children -
- b. HUF- Any member of HUF
- c. Policy issued before 1.4.2012
 - d. Deduction will be premium paid or 20% of Sum assured whichever is lower
- e. Policy issued between 1.4.2012 to 31.3.2013
 - Deduction will be premium paid or 10% of Sum assured whichever is lower
- f. Policy issued on or After 1.4.2013
 - Person suffering with disability mentioned under section 80U or specified disease u/s 80DDB
 1. Deduction will be premium paid or 15 % of Sum assured whichever is lower
 - Others
 1. Deduction will be premium paid or 10% of Sum assured whichever is lower

Contribution to PPF

- a. Individual - Self, Spouse, Children
- b. HUF - Any member of HUF

Contribution to SPF/RPF/ Approved superannuation fund

Sukanya Samriddhi Account

- Sum paid or deposited during the previous year in the said Scheme, by an individual in the name of any girl child of the individual; or any girl child for whom such individual is the legal guardian. Any interest from this scheme is exempt. Withdrawal from this scheme is also exempt.

Others

- Fixed Deposit in a scheduled Bank or Post office for 5 years or more.
- Tuition fees paid for the education of children. [Max 2 children for full time education in India]
- Deposit in Notified bonds of NABARD.
- Deposit in Senior citizen Saving Scheme.
- Notified units of Mutual Funds or UTI.
- Notified Pension scheme of UTI or MF.
- Repayment of housing loan including stamp duty, registration fee and other expenses
- By employee of CG as a contribution to a specified account of the pension scheme referred to in section 80CCD for a fixed period of Three years or more (NPS Tier 2 Account). Tier II account is the additional account under NPS, contribution to which would qualify for deduction under section 80C only in the hands of a Central Government employee.
- Subscription to National Savings Certificates and Interest thereon.

Taxability on violation of conditions

If in any PY, an assessee:

- Terminates his LIP (has not paid premium after 2 years),
- Terminates ULIP (has not paid any premium for at least 5 years),
- Transfers House before 5 years from the end of FY in which possession is obtained,
- Amount withdraw from FD or Senior Citizen Saving Scheme before 5 years,

then all deductions allowed earlier will be deemed to be income in the year of violation /withdrawal.

Sec 80CCC - Contribution to Pension Fund of LIC or other Insurance company.

Amount Paid for

For any annuity plan of LIC of India or any other insurer for receiving pension from the fund set up by LIC or such other insurer,

Eligible Assessee

Individual

Deduction Maximum

₹ 1,50,000

Taxable on Withdrawal

Any amount withdrawn will be deemed to be the income of the assessee or the nominee in that previous year in which such withdrawal is made or pension is received. It will be chargeable to tax as income of that previous year.

80CCD - Deduction in respect of contribution to pension scheme notified by the Central Government

The Central Government has notified the 'Atal Pension Yojana (APY)' as a pension scheme contribution to which would qualify for deduction under section 80CCD in the hands of the individual.

To whom?

Individual Assessee

Basic Structure of Deduction**80CCD(1) - For All - Self Contribution**

- Salaried Employee - 10% of Salary or Contribution by employee - Whichever is less
- Others (Self-Employed) - 20% of GTI or Contribution - Whichever is less

⚡ Sec 80CCE - Aggregate deduction u/s 80C + 80CCC + 80CCD(1) is restricted to Maximum ₹1,50,000. (See examples in class / videos)

80CCD(1B) - For All - Self Contribution - Additional Deduction upto ₹ 50,000.

Example - Salary of an Employee - ₹11,00,000. Contribution towards NPS = 1,35,000. Employee can claim deduction of ₹ 1,10,000 in 80CCD(1) as 10% of Salary and Remaining ₹25,000 under section 80CCD(1B) or he can claim ₹50,000 in 80CCD(1B) first and then ₹ 85,000 in 80CCD(1)

80CCD(2) - Only for Salaried Employees - Deduction for contribution by the employer.

Employer contribution towards will be taxable under the head salary first and then employee will get deduction u/s 80CCD(2). Deduction will be least of the following

- Contribution by Employer
- 10% of salary / 14% of salary (14% in case of contribution made by the Central Government or **State Government**)

The limit of ₹ 1,50,000 under section 80CCE does not apply to employer's contribution to the pension scheme of the Central Government which is allowable as deduction under section 80CCD(2).

Meaning of Salary for 80CCD

Salary used for HRA Purpose - Basic Salary + Commission on Turnover Basis + DA Forming part of Retirement benefit

Deduction under section 80C

By employee of CG as a contribution to a specified account of the pension scheme referred to in section 80CCD for a fixed period of Three years or more (NPS Tier 2 Account). Tier II account is the additional account under NPS, contribution to which would qualify for deduction under section 80C only in the hands of a Central Government employee.

Amount Received on withdrawal or Opting out**Full Withdrawal****Death**

In case of employee or Non-employee, any amount received from NPS by the nominee legal heir on death of an assessee is Fully Exempt.

Used for purchasing annuity

In case the amount is used for purchasing an annuity plan, the amount will be deemed as not received and hence not taxable. Pension received from such an annuity plan whether by the assessee or his nominee will be taxable in the year of receipt.

Other cases

As per sec 10(12A) any payment received by Assessee on closure of his account is exempt to the extent of 60% (40% is taxable) of the total amount payable to him at the time of closure.

Partial Withdrawal

In case of partial withdrawal from NPS by an **employee**, payment shall be exempt upto 25% of contributions made by him (Fully taxable for non-salaried employee).

Section 80CCH - Deduction in respect of contribution to Agnipath Scheme**Section 80CCH(1)**

- Deduction for the amount paid or deposited by an individual enrolled in the Agnipath scheme and subscribing to the Agniveer Corpus Fund on or after 1.11.2022, in his account in the Agniveer Corpus Fund.\
- Deduction u/s 80CCH(1) would be available to an individual only if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)].
- Under section 80CCH(2), the whole amount of contribution made by the Central Government to the said account of an assessee in the Agniveer Corpus Fund, is allowed as a deduction in computation of the total income of the assessee.
 - The entire Central Government's contribution to the Agniveer Corpus Fund would be included in the salary of the assessee. However, deduction under section 80CCH(2) would be available for the same.
 - Deduction u/s 80CCH(2) would be available to an individual irrespective of the regime under which he pays tax

Exemption on payment from Agniveer Corpus Fund to a person enrolled under the Agnipath scheme or to his nominee [Section 10(12C)]

Any payment from the Agniveer Corpus Fund to a person enrolled under the Agnipath scheme or to his nominee would be exempt from tax.

Notes

- **Meaning of Agnipath scheme :** Agnipath scheme is a Central Government scheme launched in 2022 for enrolment of Indian youth in the Indian Armed Forces.
- **Meaning of Agniveer Corpus Fund :** The Agniveer Corpus Fund means a fund in which consolidated contributions of all the Agniveers and matching contributions of the Central Government along with interest on both these contributions are held.
- **Features of the Agnipath scheme:** Each Agniveer is to contribute 30% of his monthly customized Agniveer Package to the individual's Agniveer Corpus Fund. Further, the Government will also contribute a matching amount to the 'Agniveer Corpus Fund'. The Government will also pay to subscriber interest as approved from time to time on the contributions standing in his account.

Tax Holiday For Units Established In Special Economic Zones [Section 10AA]

In case of an individual, HUF, AOP (other than a co-operative society) or BOI or an artificial juridical person, deduction would be available only if they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). The deduction would be available only under the optional tax regime, where they pay tax under the normal provisions of the Act. .

In case of companies and co-operative societies, deduction would not be available if they opt for the special provisions u/s 115BAA/ 115BAB and section 115BAD/ 115BAE, respectively. The deduction would be available if they pay tax under the normal provisions of the Act.

Eligible Assessee

Exemption is available to all categories of assessee who derive any profits or gains from an undertaking, being a unit, engaged in the

- manufacturing or production of articles or things or
- provision of any service.
- Such assessee should be an entrepreneur referred to in section 2(j) of the SEZ Act, 2005 i.e., a person who has been granted a letter of approval by the Development Commissioner under section 15(9) of the said Act.

Conditions

The exemption shall apply to an undertaking which fulfils the following conditions

- It begins to manufacture or produce articles or things or provide any service in any SEZ during the previous year relevant to A.Y.2006-07 or any subsequent assessment year but not later than A.Y.2020-21.
- Letter of approval by 31/03/20. You can start manufacture or provision of service by 31/03/21.
- It should not be formed by splitting up or reconstruction of a business already in existence. Exception to this section 33B (Please refer ICAI Study Mat for this)
- New plant or machinery must be there.
 - However, deduction under section 10AA will be available if the total value of the machinery or plant transferred does not exceed 20% of the total value of machinery or plant used in the business.
 - For this purpose, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose if the following conditions are fulfilled:
 - such machinery or plant was not at any time used in India;
 - such machinery or plant is imported into India from any country outside India; and
 - no deduction on account of depreciation has been allowed in respect of such machinery or plant to any person earlier.
- The assessee should furnish in the prescribed form, as per date specified u/s 44AB
- In simple words 1 month prior to the date of furnishing of ROI
- ***No deduction under section 10AA would be allowed to an assessee who does not furnish a return of income on or before the due date specified u/s 139(1)***
- ***Deduction under section 10AA would be available to a Unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of 6 months from the end of the previous year, or within such further period as the competent authority may allow in this behalf.***
 - ***The export proceeds from sale of goods or provision of services shall be deemed to have been received in India where such export turnover is credited to a separate account maintained for that purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India.***

Period of Deduction / Exemption

Period for which deduction is available

- First five years - 100% of profits of such undertaking from exports
- Next five years - 50% of profits of such undertaking from exports
- Another five years - 50% of profits of such undertaking from exports, provided certain conditions are satisfied.

Example

An undertaking is set up in a SEZ and begins manufacturing on 15.10.2009. The deduction under section 10AA shall be allowed as under

100% of profits of such undertaking from exports from A.Y.2010-11 to A.Y.2014-15.

50% of profits of such undertakings from exports from A.Y.2015-16 to A.Y. 2019-20.

50% of profits of such undertakings from exports from A.Y.2020-21 to A.Y.2024-25 provided certain conditions are satisfied.

Conditions to be satisfied for claiming deduction for further 5 years (after 10 years)

The amount credited to the Special Economic Zone Re-investment Reserve Account is utilised

- for the purposes of acquiring machinery or plant which is first put to use before the expiry of a period of three years following the previous year in which the reserve was created; and
- until the acquisition of the machinery or plant as aforesaid, for the purposes of the business of the undertaking. However, it should not be utilized for
 - distribution by way of dividends or profits; or
 - for remittance outside India as profits; or
 - for the creation of any asset outside India;

Consequences of mis-utilisation/ non-utilisation of reserve

Where any amount credited to the Special Economic Zone Re-investment Reserve Account -

- has been utilised for any purpose other than those referred to in subsection (2), the amount so utilized shall be deemed to be the profits in the year in which the amount was so utilised and charged to tax accordingly; or
- has not been utilised before the expiry of the said period of 3 years, the amount not so utilised, shall be deemed to be the profits in the year immediately following the said period of three years and be charged to tax accordingly.

Computation of profits and gains from exports of such undertakings

The profits derived from export of articles or things or services (including computer software) shall be the amount which bears to the profits of the business of the undertaking, being the unit, the same proportion as the export turnover in respect of such articles or things or services bears to the total turnover of the business carried on by the undertaking i.e.

Profits of unit in SEZ x Export Turnover of Unit in SEZ / Total Turnover of Unit in SEZ

CBDT has, vide this notification, clarified that freight, telecommunication charges and insurance expenses are to be excluded both from "export turnover" and "total turnover", while working out deductions admissible under section 10AA to the extent they are attributable to the delivery of articles or things outside India.

Similarly, expenses incurred in foreign exchange for rendering services outside India are to be excluded from both "export turnover" and "total turnover" while computing deduction admissible under section 10AA.

The profits and gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India.

Meaning of Export turnover: It means the consideration in respect of export by the undertaking being the unit of articles or things or services received in India or brought into India by the assessee in convertible foreign exchange within 6 months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

Deduction allowable in case of amalgamation and demerger

In the event of any undertaking, being the Unit which is entitled to deduction under this section, being transferred, before the expiry of the period specified in this section, to another undertaking, being the Unit in a scheme of amalgamation or demerger

- No deduction shall be admissible under this section to the amalgamating or the demerged Unit for the previous year in which the amalgamation or the demerger takes place; and
- The provisions of this section would apply to the amalgamated or resulting Unit, as they would have applied to the amalgamating or the demerged Unit had the amalgamation or demerger had not taken place.

Y Ltd. furnishes you the following information for the year ended

Particulars	Rs. (In Lacs)
Total turnover of Unit A located in Special Economic Zone	100
Profit of the business of Unit A	30
Export turnover of Unit A	50
Total turnover of Unit B located in Domestic Tariff Area (DTA)	200
Profit of the business of Unit B	20

Compute deduction under section 10AA for the AY 20__ - __, assuming that this is the 4th year since the establishment of the unit in SEZ.

Rudra Ltd. has one unit at Special Economic Zone (SEZ) and another unit at Domestic Tariff Area (DTA). The company provides the following details for the previous year 20__ - __.

Particulars	Rudra	Unit in DTA
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 20__ - __, in the following situations

- If it is the 8th year from the commencement of business.
- If it is the 4th year from the commencement of business.

Question

The quantum of deduction available under section 10AA in respect of profits and gains derived by a SEZ unit from export of articles is

- 100% of export profits for first 10 consecutive AYs and 50% for next 5 consecutive AYs
- 100% of export profits for first 5 consecutive AYs and 50% for next 10 consecutive AYs
- 100% of export profits for first 15 consecutive AYs
- 100% of export profits for first 5 consecutive AYs, 50% for export profits for next 5 consecutive AYs and upto 50% of export profits for next 5 consecutive AYs, as is credited to Special Economic Zone Re-investment Reserve Account.

XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for (Assuming this is the 8th year since the commencement of operations)\

- (a) ₹ 38,09,524
- (b) ₹ 19,04,762
- (c) ₹ 23,52,941
- (d) ₹ 11,76,471