**CHAPTER : DEDUCTIONS FROM GROSS TOTAL INCOME**

**Introduction**

* Chapter VI-A contains deductions from the gross total income of an assessee.
* If there is no gross total income, there shall be no deduction.
* The total deductions cannot exceed the gross total income of an assessee.

**Deduction in respect of investment in specified assets [Section 80C]**

* Deduction in this section is available only to individual and HUF.
* **The maximum permissible deduction under Section 80C, 80CCC and 80CCD put together is Rs. 1,50,000**.

1. Premium paid on life insurance policy of self, spouse or child or member of HUF.
2. Contribution to any provident fund as per the Provident Fund Act, 1925.
3. Contribution to public provident fund of self, spouse or child or member of HUF.
4. Contribution by an employee to a recognised provident fund.
5. Contribution by an employee to an approved superannuation fund.
6. Contribution in Sukanya Samriddhi Scheme in the name of self or girl child.
7. Subscription to National Savings Certificate.
8. Contribution in Unit-linked Insurance Plan.
9. Contribution to any pension fund set-up by the National Housing Bank
10. Subscription to any deposit scheme of a public sector company which is engaged in providing long-term finance for construction or purchase of houses.
11. Payment of tuition (i.e. education) fees for full-time education of two children in India
12. Repayment of principal amount against loan borrowed for house property from government, banks, LIC or employer
13. Subscription to any units of approved Mutual Fund
14. Investment in term deposit (i.e. FD) with a scheduled bank for minimum 5 years *[maximum permissible investment Rs. 1,50,000]*
15. Subscriptions to bonds issued by NABARD [National Bank for Agriculture and Rural Development]
16. Subscription to five year term deposit in an account under Post Office
17. Deposit in an account under Senior Citizens Saving Scheme

**Deduction in respect of contribution to certain pension funds [Section 80CCC]**

* Deduction shall be available to an individual who has deposited to any annuity plan of LIC of India OR any other insurer for receiving pension from the fund.

**Deduction in respect of contribution to pension scheme of Central Government (NPS – NEW PENSION SCHEME)[Section 80CCD]**

* Contribution made to the new pension scheme of the Central Government *[Atal Pension Yojana]* by government employee/ any other employee/ self-employed person shall be allowed as deduction.
* Such contribution should not exceed 10% of salary or 10% of gross total income, as applicable.
* Additional deduction upto Rs 50,000/- p.a. is available for investing in NPS.

**Deduction in respect of medical insurance premium [Section 80D]**

* Deduction is allowed in respect of medical insurance premium paid to effect a health insurance policy of self, spouse and dependent children or any contribution made to the Central Government Health Scheme.
* The maximum limit is Rs. 25,000 p.a. in aggregate.
* Additional Rs. 25,000 is allowed for health insurance policy of parents. [Rs. 50,000 in case parents are above 60 years of age].
* Deduction shall be allowed only if payment of premium is made in any mode other than cash.

**Deduction in respect of maintenance including medical treatment of a dependant disabled [Section 80DD]**

* Any amount incurred by a resident individual or HUF for the medical treatment, training and rehabilitation of a dependant.
* The dependant should be suffering from disability, autism, cerebral palsy or multiple disabilities.
* The amount of deduction is –
* Rs. 75,000 : general
* Rs. 1,25,000 : severe disability (80% or more)
* Dependant includes spouse, children, parents, brothers and sisters of an individual and members of HUF.
* For claiming deduction, assessee should furnish certificate of disability from a medical authority.
* Deduction is available in this section, only if no deduction is claimed under Section 80U.

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

* Deduction is allowed in respect of an individual assessee in respect of any interest on loan paid in the previous year.
* The loan should have been taken for the purpose of pursuing higher education of self, spouse or children or individual for whom self is legal guardian.

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

* Donation given to eligible funds or institutions is allowed as deduction under this section.
* Donation above Rs. 2,000 should not be paid in cash.
* The deductions are divided into two different categories:
* Category 1 : deduction at specified %

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| --- | --- |
| **Eligible Institutions/ Funds** | **Permissible Deductions** |
| Jawaharlal Nehru Memorial Fund | 50% |
| Prime Minister’s Drought Relief Fund | 50% |
| Indira Gandhi Memorial Trust | 50% |
| Rajiv Gandhi Foundation | 50% |
| National Defence Fund | 100% |
| Prime Minister’s National Relief Fund | 100% |
| National Children’s Fund | 100% |
| Approved university or educational institution of national eminence | 100% |
| National/ State Blood Transfusion Council | 100% |
| Any Zila Saksharta Samiti | 100% |
| Army / Air force National Welfare Fund, Indian Naval Benevolent Fund | 100% |
| National Cultural/ Sports Fund | 100% |
| Swachh Bharat Kosh | 100% |

* Category 2 : deduction at specified %, subject to qualifying limit

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| --- | --- |
| **Eligible Institutions/ Funds** | **Permissible Deductions** |
| Any institution or fund established for charitable purpose under Section 80G(5) | 50% |
| Any corporation established by Central/ State Government for promoting interests of members of minority community |
| Notified temple, mosque, gurdwara, church or other place of historic, archaeological or artistic importance |

All the donations in the above three lists should be aggregated and deduction should be limited to 10% of *adjusted gross total income*. This is the maximum permissible deduction.

Adjusted Gross Total Income = Gross Total Income – other deductions u/s. 80C to 80U – long-term capital gain and short term capital gain on shares

**Deduction in respect of interest on deposits in savings accounts [Section 80TTA]**

* Deduction is allowed in respect of interest on savings account with a bank or post office.
* This deduction is available to individual and HUF, subject to maximum limit of Rs. 10,000.

**Deduction in respect of interest on deposits in savings accounts/ Fixed Depostit/ Recurring Deposit to Senior Citizen Resident [Section 80TTB]**

* This deduction is available to senior citizen (age of 60 years or above) resident individual subject to maximum limit of Rs. 50,000 p.a.

**Deduction in the case of person with disability [Section 80U]**

* Deduction is available to a resident individual with disability.
* The assessee should be suffering from disability, autism, cerebral palsy or multiple disabilities.
* The amount of deduction is –
* Rs. 75,000 : general
* Rs. 1,25,000 : severe disability (80% or more)
* For claiming deduction, assessee should furnish certificate of disability from a medical authority.
* When deduction is claimed under this section, no further deduction is allowed under Section 80DD.

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| EXAMPLE | MR X furnishes the following details about his income and contributions: | | | |
|  |  | RS |  |  |
|  | Income From Salary (Computed) | 6,00,000 |  |  |
|  | LIC premium paid | 20,000 |  |  |
|  | School Fees of Children paid | 40,000 |  |  |
|  | Investment in NSC | 10,000 |  |  |
|  | Deposit in Sukanya Samriddhi Scheme | 20,000 |  |  |
|  | Deposit in PPF | 60,000 |  |  |
|  | Principle repayment of housing loan | 50,000 |  |  |
|  |  |  |  |  |
|  | Compute his taxable Income |  |  |  |
|  |  |  |  |  |
| SOLUTION | Statement showing computation of Taxable Income | |  |  |
|  |  |  |  |  |
|  | Particulars | Rs. | Rs. |  |
|  | Income From Salary / Gross Total Income |  | 6,00,000 |  |
|  | Less: Deduction u/s 80C: |  |  |  |
|  | LIC premium paid | 20,000 |  |  |
|  | School Fees of Children paid | 40,000 |  |  |
|  | Investment in NSC | 10,000 |  |  |
|  | Deposit in Sukanya Samriddhi Scheme | 20,000 |  |  |
|  | Deposit in PPF | 60,000 |  |  |
|  | Principle repayment of housing loan | 50,000 |  |  |
|  |  |  |  |  |
|  | Total Contribution | 2,00,000 |  |  |
|  | Maximum deduction is restricted upto | 150000 | -1,50,000 |  |
|  |  |  |  |  |
|  | Taxable Income / Net Total Income |  | 4,50,000 |  |
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