

CHAPTER 12

Deductions

Introduction

Exempt Incomes	✚	Some Incomes are NOT at all included in Income Computation process (Section 10).
	✚	Such Incomes are called Exempt Incomes. They are NOT INCLUDED in GTI.
Deductions	✚	There are certain incomes which are first included in GTI & then they are allowed as deductions on certain basis while calculating Taxable Income.
	✚	Such Deductions are contained in Chapter VI-A which are allowed as deduction from GTI.

Note: Deduction is allowed from GTI i.e. If NO GTI → NO DEDUCTION

Note: Chapter VI-A Deductions are NOT ALLOWED from (Special Rate Income)

(i) Capital Gains U/s 111A, 112, 112A (ii) Casual Incomes

Meaning of Gross Total Income & Total Income

Gross Total Income	✚	Total Income computed under each of the 5 heads, after applying Provisions for Clubbing of Income & Set off of Losses is known as Gross Total Income.
Total Income	✚	Gross Total Income - Deductions under Chapter VI-A.

Types of Deductions

INVESTMENT BASED - Deductions given when certain Payments & Investments are made.

INCOME BASED - Deductions given in respect of Certain Incomes included in GTI.

Basic Rules of Deductions

Sec 80A

- ✚ Deductions u/s 80C- 80U shall be allowed from GTI while computing TI of the Assessee
- ✚ Total Amount of Deductions u/s 80C - 80U shall NOT Exceed GTI. Thus, there cannot be a Loss as a result of Chapter VI-A deductions.
- ✚ Deductions cannot be carried forward to next year if $GTI < Eligible\ Deductions$.

Chapter VI-A Deductions shall be allowed ONLY IF they are claimed in ROI.

Sec 80AC

Income Based Deductions u/s 80 IA to 80RRB shall be allowed to the assessee only if he furnishes a ROI on or before the due date specified u/s 139(1).

A. Investment Based Deductions

Investments/Contributions Eligible for Deduction U/s 80C

Eligible Assessee	Only Individual or HUF. (R/NR)
Deduction	Maximum ₹ 1,50,000.

1. Premium Paid on Life Insurance Policy on the Life of

Assessee	Premium paid on the life of ↓
Individual	Individual himself;
	Spouse;
	Any Child. (Single / Married / Dependent / Independent).
HUF	Any Family Member.

Maximum Premium Eligible

Premium paid on Insurance Policy ↓	Deduction u/s 80C
1. Issued before 1.4.2012	Upto 20% of sum assured.
2. Issued on/after 1.4.2012	Upto 10% of sum assured.
3. Issued on/after 1.4.2013 on life of a person (a) with Disability referred u/s 80U or (b) Suffering from Specified Disease u/s 80DDB.	Upto 15% of sum assured.

Note: Sum assured shall **not include** any bonus/premium agreed to be returned.

Exemption on Receipts of Maturity Amount from LIC [Section 10(10D)]

(a) Maturity Amount received (including Bonus) under LIP is **NOT Exempt** if Premium paid for any year during the term of Policy **Exceeds SPECIFIED %** given in Sec 80C.

Note: Maturity Amount of Policy issued before 1.4.2003 → Always Exempt.

- (b) Any Sum received u/s 80DD & Keyman Insurance Policy → Not Exempt u/s 10(10D).
2. EE Contribution Towards SPF/PPF/RPF/SAF Principal + Interest amt shall be exempt.
 ✚ For Individual → In Account of Individual/Spouse/Any Children.
 ✚ For HUF: Contribution for any member of the family.
3. Subscription to SUKANYA SAMRIDHI ACCOUNT Scheme in the name of:
 Girl child/Individual himself (in case assessee is a girl child). {Include legal Guardian also}
4. Subscription to
 ✚ National Saving Scheme, 1992.
 ✚ National Savings Certificates (NSC) & Interest accrued on NSC.
 ✚ Bonds issued by NABARD.
 ✚ Notified units of MF/UTI.
 ✚ Notified Deposit Scheme/Pension Fund set up by National Housing Bank.
5. Any sum deposited: - 5 years or more fixed deposit in Post Office or scheduled bank.
6. Payment made by Individual for NON-COMMUTABLE DEFERRED ANNUITY on life of:
 (a) Individual himself; b) Spouse & (c) Any Child of such Individual.
7. Any Sum deducted from Salary of Government Employee for DEFERRED ANNUITY
 ✚ Maximum Sum deducted Eligible for deduction u/s 80C = 20% of Salary.
 ✚ Deferred Annuity shall be for the benefit of Individual, Spouse, Any Children.
8. Payment of tuition fees in india for full time education [MAX. 2 CHILDREN]
 ✚ Excluding any payment towards development fees or donation
 ✚ at any time on admission or afterwards.
 ✚ to any university, college, school or other **educational institution in India.**
9. Contribution to National Housing Bank (Tax Saving) Term Deposit Scheme, 2008
10. Contribution in Unit-Link Insurance Plan of UTI or LIC Mutual Fund.
Note: Contribution may be made in the name of any person mentioned in (1) above.
11. Contribution to Approved Annuity Plan (New Jeevan Dhara/I & New Jeevan Akshay/I/II)
12. Subscription to Notified Deposit Scheme of: Public Sector Company engaged in providing LT finance for Construction/Purchase of houses in India for Residential Purposes
 [Ex: Public Deposit Scheme of HUDCO]
13. REPAYMENT OF HOUSING LOAN including Stamp Duty, Registration Fee

- (a) For purchase or construction of a residential house to be used for residential purpose.
- (b) Repayment of the amount borrowed by the assessee from:
- CG/SG/Bank, financial institution, LIC, National Housing Bank.
 - from a specified Employer of Assessee (exclude private ltd company).

Following Payments are not Allowed as Deduction:

- ✚ Admission Fee, Cost of Share of co-operative society & Initial Deposit
- ✚ Cost of Renovation/Repair/Alteration of the house after issue of completion certificate.
- ✚ Any Expenditure in respect of which deduction is allowable u/s 24.

14. Contribution to Additional Account under NPS [AY 2023-24]

- ✚ Contribution by **CG employee** to additional A/c under NPS (specified A/c) referred to in section 80CCD for a fixed period of 3 years or more.
- ✚ There are two types of NPS account i.e., Tier I & Tier II, to which an individual can contribute. Section 80CCD provides deduction i.r.o contribution to individual pension account [Tier I A/c]. Deduction u/s 80C is allowable i.r.o contribution to additional A/c [Tier II] of NPS, which does not qualify for deduction u/s 80CCD.

Points to Remember:

1. Deduction u/s 80C is available on Payment Basis.
2. Interest Accrued on NSC every year (except for Last Year) → Deemed to be Reinvested & Such Amount of Interest is also entitled for deduction u/s 80C.
3. Such Payment/contribution/deposit can be made out of taxable Income or Exempt Income.

Termination of Insurance Policy or ULIP or Transfer of House Property or Withdrawal of Deposit

If in any PY, an assessee:

1. Terminates his contract of Insurance by notice OR where the contract of insurance has ceased because of non-payment of premium & the assessee does not revive the contract
 - (a) In case of Single Premium Policy → Within 2 years after date of commencement of Insurance;
 - (b) In any other case → Before Premiums have been paid for two years.

2. Terminates ULIP by notice OR where his participation has ceased bec. of non-payment of premium & assessee does not revive his ULIP before participation have been paid for 5 yrs.
3. Transfers House before expiry of 5 years from the end of FY in which possession is obtained by him.
Then No further deduction will be allowed & Total Deductions allowed in earlier PYs is deemed to be the Income of the assessee of such PY & shall be taxed in AY relevant to such PY.
4. If amount deposited under Senior Citizens Savings Scheme is withdrawn before the expiry of 5 years from the date of its deposit, then withdrawn amount is deemed to be the Income of the assessee of PY in which the amount is withdrawn. Amount so withdrawn is taxable in the AY relevant to such previous year.
- ✚ If Interest received/withdrawn is taxed in earlier PYs → It will not be taxed again.
 - ✚ If Interest on deposit was not taxed in earlier PYs → Such Interest would be taxed.
 - ✚ Amt. received by Legal heir on the death of assessee → Not taxable in hands of Legal Heir.

Contribution to Certain Pension Funds [Sec 80CCC]

Assessee: - Only Individuals (R/NR) (policy in his own name only)

Qualifying Payment

- ✚ Amount Deposited by individual for any **Annuity Plan of LIC or any other Insurer** for receiving Pension out of his taxable income.

Note: Interest/Bonus accrued → Not deemed as Contribution & thus No deduction.

Deduction: - Maximum ₹ 1,50,000.

Points to Remember:

1. Pension received is taxable in the PY of Receipt of Maturity Amount.

Contribution to Pension Scheme Notified by CG [Sec 80CCD]

Eligible Assessee

- ✚ Employee of CG (Compulsory to Join NPS)
- ✚ Any other employees (Optional to Join NPS)
- ✚ Self-employed individual (Optional to Join NPS)

Deduction

Employee's Contribution [Sec 80CCD(1)]- Upto 10% of Salary is deductible.

For Self-employed Individual- Upto 20% of GTI is deductible.

Employer's Contribution is firstly taxable as Salary & then allowed deduction to EE.

Employer's Contribution [Sec 80CCD(2)]-	Employer	Deduction
	CG or SG or U/s 115BAC	Upto 14% of salary
	Other than CG/SG	Upto 10% of salary

✚ Meaning of Salary = Basic Salary + DA (R)

✚ Atal Pension scheme has been notified by CG till now.

✚ No deduction shall be allowed u/s 80C if deduction has been claimed u/s 80CCD.

✚ U/s 80CCD(1B): - Additional Deduction upto ₹ 50,000 of Payment under NPS is allowed over & above deduction u/s 80CCD(1).

Note: Deduction u/s 80CCD(1) is subject to overall limit of ₹ 1.50 lacs u/s 80CCE. But, deduction u/s 80CCD(1B) is in addition to overall limit of ₹ 1.50 lacs u/s 80CCE.

Taxability of Pension Received

1.	Amount received on Closing NPS Account or opting out of NPS	Taxable.
2.	If Amount is received by Nominee on the Death of Assessee	Exempt
3.	Pension received out of NPS	Taxable
4.	Amount received (Specified in 1,2,3) utilized for purchasing annuity plan in same PY	Exempt
5.	Pension received out of Annuity Plan specified in (4)	Taxable

Section 10(12A): Payment from NPS to an employee on **closure** of his A/c or on his **opting out** of scheme referred to in section 80CCD to the extent it does **not exceed 60%** of the total amount payable to him at the time of closure or his opting out of the scheme, shall be **exempt from tax**.

Section 10(12B): Any payment from NPS to an employee under pension scheme referred to in section 80CCD, **on partial withdrawn** made out of his account shall be **exempt from tax** to the extent it does **not exceed 25%** of amount of contributions made by him.

Maximum Combined Ceiling u/s 80C, 80CCC & 80CCD(1) [Sec 80CCE]

✚ Total Deduction u/s 80C + 80CCC + 80CCD(1) → Cannot Exceed ₹ 1,50,000.

Note: Maximum Limit of ₹ 1,50,000 is Not Applicable to Employer's contribution u/s 80CCD(1B) & 80CCD(2)

Section	Maximum Deduction	Max deduction (80CCE)
80C	₹ 1,50,000	} ₹ 1,50,000
80CCC	₹ 1,50,000	
Employee's Contribution u/s 80CCD(1)	10% of Salary	
Additional Deductions u/s 80CCD(1B)	₹ 50,000	Not Applicable
Employer's contribution u/s 80CCD(2)	14% or 10% of Salary	Not Applicable

Deduction in Respect of Contribution to Agnipath Scheme [Sec 80CCH]

(1) Where an assessee, being an **individual enrolled in the Agnipath Scheme** and subscribing to the Agniveer Corpus Fund on or after the 01.11.2022,

(2) He shall be allowed a deduction in the computation of his total income, of the **30% of his monthly customized agniveer package** so paid or deposited and CG will also contribute the same amt.

Sec 80CCH(1) 100% of his contribution to Agnipath Corpus Fund.

Sec 80CCH(2) 100% of CG contribution to Agnipath Corpus Fund.(Firstly include in salary head & then take deduction)

(3) Taxability: - **Any payment from the corpus fund** to a person enrolled under the Agnipath Scheme or to his nominee would be **exempt** from tax as per section 10(12C).

Explanation. -For the purposes of this section,

"Agniveer Corpus Fund" means a fund in which consolidated contributions of all the Agniveers and matching contributions of the CG along with interest on both these contributions are held.

This amendment will take effect from 1st April, 2023 AY 2023-2024 onwards.

Deduction in Respect of Medical Insurance Premium [Sec 80D]

Eligible Assessee: - Only Individual or HUF [Resident/Non-Resident]

Mode of Payment

Any Mode other than Cash [Preventive Health Checkup → Cash is Allowed]

Maximum Amount of Deduction

Particulars		INDIVIDUAL		HUF
For whose benefit payment shall be made →		Family	Parents	Member
1.	(a) Medical Insurance Premium	✓	✓	✓
	(b) Contribution to CG Health Scheme	✓	✗	✗
	(c) Preventive Health Check-up	✓	✓	✗
✚	Maximum Deduction for (a), (b), (c)	₹ 25000	₹ 25000	₹ 25000
✚	Additional Deduction on (a) when Medi-claim policy is taken on Life of Senior Citizen	₹ 25000	₹ 25000	₹ 25000
2.	Medical Expenditure on health of Super Senior citizen if NO Medical Insurance is paid on his health	✓	✓	✓
	Maximum Deduction for (2)	₹ 50,000	₹ 50,000	₹ 50,000
3.	Maximum Combined Deduction for 1 & 2	₹ 50,000	₹ 50,000	₹ 50,000

Points to Remember :

✚ Maximum Deduction for Preventive Health-Check-up of (Family + Parents) → ₹ 5,000.

✚ Family = Individual + Spouse + **Dependent** Children.

✚ Parents = Father + Mother (Dependent or independent);

Father-in-Law & Mother-in-Law → X

✚ Notified Scheme = Contributory Health Service Scheme of Department of Space.

Lumpsum Health Insurance Premium Paid for More than One Year

✚ Deduction u/s 80D for each PY shall be allowed on Proportionate basis.

Deduction for Maintenance / Medical Treatment of Dependant Disabled [Sec 80DD]

Assessee: - **Resident** Individual/HUF

Eligible Payment

✚ Expenditure for Medical Treatment (including nursing), training & rehabilitation of a dependant disabled.

- ✚ Amount paid under approved scheme for Maintenance of Dependant Disabled.
 - ✚ Deposit in a scheme where money is received on (1) Attainment of Age 60 years or death.
- Deduction**
- ✚ ₹ 75,000;
 - ✚ ₹ 1,25,000 for dependent person with severe disability.
- Points to Remember:**
- ✚ Deduction u/s 80DD is allowed irrespective of the amount of Actual Expenditure incurred.
- Meaning of 'Dependant'**
- (a) For Individual: Spouse, Children, Parents, Brothers & Sisters of Individual
 - (b) For HUF: Any dependant member of HUF & who has not claimed deduction u/s 80U in PY.
- ✚ Person with severe disability = Person with 80% or more of one or more disabilities.
 - ✚ If Dependant Disabled dies before Assessee → Amount deposited is deemed as Income in PY of receipt.

Deduction in Respect of Medical Treatment, Etc. [Sec 80DDB]

Eligible Assessee: - Resident Individual/HUF

Eligible Payment for Deduction

Expenditure on Medical Treatment of Specified Disease in Rule 11DD for:

Assessee	Expenditure for
Individual →	Himself or Dependant Relative (S/F/M/B/S/C)
HUF →	Member of HUF

Deduction

- ✚ Amount Actually Paid or ₹ 40,000 (whichever is Lower)
 - ✚ Senior Citizen: Amount Actually Paid or ₹ 1,00,000 (whichever is Lower)
- Note:** If any insurance claim received or reimbursed by employer for Medical treatment, received amount shall be reduced from the deduction allowable under this section.

Deduction in Case of Person With Disability [Sec 80U]

Eligible Assessee

Resident Individual who is certified by medical authority to be a person with disability at any time during PY.

Deduction

✚ ₹ 75,000 [Person with disability];

✚ ₹ 1,25,000 [Person with Severe Disability (over 80%)]

Legal Requirement

Assessee shall furnish a copy of Medical Certificate along with ROI.

Interest Paid on Loan Taken for Higher Education [Sec 80E]

Eligible Assessee: - Individuals only

Source of Loan: - (a) Bank (b) Financial institution (c) Approved charitable institution

Purpose of Loan: - pursuing higher education of

(a) Assessee himself;

(b) His Relatives (Spouse/Children);

(c) for whom the assessee acts as Legal Guardian.

Note: Courses after Class XII or Equivalent → Qualify for deduction.

✚ Loan can be taken for study in India or Outside India also.

✚ Course may be Full-time or Part-time.

Deduction: - Interest paid shall be allowed for 8 AYs starting from the AY in which the assessee starts paying the interest on loan.

Interest on Loan Taken for Acquisition of Residential House [80EE]

Eligible Assessee: - Individuals only [R/NR]

Source of Loan: (a) Bank; (b) FI; (c) Housing finance company.

Purpose of Loan: - for Acquisition of Residential House Property.

Conditions

✚ Loan must have been sanctioned in FY 2016-17.

✚ Amount of Loan Sanctioned upto ₹ 35 Lacs.

✚ Value of Residential House Property upto ₹ 50 Lacs.

✚ Assessee should not own any Residential House on the Date of Sanction of Loan.

Deduction: - Maximum ₹ 50,000.

This deduction is over & above deduction u/s 24(b) for interest paid in respect of loan borrowed for acquisition of a self-occupied property.

Period of Deduction: - Deduction is available Till Repayment of loan continues.

Interest on Loan Taken for Acquisition of Residential House Property [Sec 80EEA]

Eligible Assessee: - Individuals only [R/NR]

Source of Loan: (a) Bank; (b) FI; (c) Housing finance company.

Purpose of Loan: - for Acquisition of Residential House Property.

Conditions

- ✚ Individual should not be eligible to claim deduction u/s 80EE.
- ✚ Loan must have been sanctioned during PY 01/04/2019 till 31/03/2022
- ✚ SDV of Residential House Property upto ₹ 45 Lacs.
- ✚ Assessee should not own any Residential House on the Date of Sanction of Loan.

Deduction: - Maximum ₹ 1,50,000. This deduction is over & above deduction u/s 24(b) for interest paid in respect of loan borrowed for acquisition of a self-occupied property.

Period of Deduction: - Deduction is available Till Repayment of loan continues.

Interest on Loan Taken for Purchase of Electric Vehicle [Sec 80EEB]

Eligible Assessee: - Individuals only [R/NR]

Source of Loan: - (a) Bank; (b) Any deposit taking NBFC; (c) Systemically important non-deposit taking NBFC.

Purpose of Loan: - Loan must be taken for Purchase of Electric Vehicle.

Conditions: - Loan must have been sanctioned b/w 1.4.2019 and 31.3.2023.

Deduction: - Maximum ₹ 1,50,000.

Period of Deduction: - Deduction is available Till Repayment of loan continues.

Donations to Charitable Institutions/Funds [Sec 80G]

Eligible Assessee: - **Any** Assessee (R/NR)

Eligible Payment: - Donations made to specified funds which are approved u/s 80G.

Mode of Payment

- ✚ Amount shall be paid by Any Mode other than Cash. However, Donations upto Rs. 2000 can be made in Cash.
- ✚ Donation in kind → No Deduction (Donation should be made in Money).
- ✚ Donations can be from Earlier year's Income/Exempt Income.

Adjusted GTI

Adjusted GTI = GTI as Reduced by the following:

✚ **LTCG** u/s 112 & 112A, **STCG** u/s 111A, **All Deductions** u/s 80C - 80U [Except u/s 80G]

✚ Exempt Income

Qualifying Limit: - 10% of Adjusted GTI

Deduction

Deduction u/s 80G = Total of Deductions permissible under A, B, C & D.

AMOUNT OF DEDUCTION [Refer "How to calculate Deduction" Below]

(A) Donations Eligible for 100% Deduction WITHOUT QUALIFYING LIMIT

✚ **National** Defence Fund/ National Foundation for Communal Harmony;

✚ **Zila Saksharta Samiti**/State/National Blood Transfusion Council;

✚ **PM's National Relief Fund**/ [(Maharashtra CM's/PM's Armenia) Earthquake Relief Fund]

✚ Approved University/Educational Institution of National Eminence;

✚ Fund set up by SG to provide **Medical Relief** to Poor People;

✚ **Army/Airforce** Central Welfare Fund/Indian Naval Benevolent Fund;

✚ Andhra Pradesh CM's Cyclone Relief Fund, 1996;

✚ **CM's** Relief Fund/Lieutenant Governor's Relief Fund in any State or Union Territory.

✚ National Illness Assistance Fund/National **Sports Fund**/National **Cultural Fund**;

✚ Fund for Technology Development & Application set up by CG.

✚ National Fund for **control of Drug Abuse**.

✚ Donations made to **Swachh Bharat Kosh/ Clean Ganga** Fund set up by CG

✚ National Children's Fund.

(B) Donations Eligible for 50% Deduction WITHOUT QUALIFYING LIMIT

✚ Prime Minister's Drought Relief Fund.

(C) Donations Eligible for 100% Deduction SUBJECT TO QUALIFYING LIMIT

✚ Donation to **Government/ LA / Approved Institution** for Promoting Family Planning;

✚ Donations by **Company** to Indian Olympic Association / Development of Infrastructure for Sports & Games.

(D) Donations Eligible for 50% Deduction SUBJECT TO QUALIFYING LIMIT

- + Donation to Govt/ LA / Approved Institution for **Any Charitable Purpose other than Promoting Family Planning.**
- + Authority for **housing accommodation/** Improvement of cities, towns & villages.
- + Corporation established by CG/SG for Promoting Interests of **Minority.**
- + **Renovation/Repair** of notified Temple, Mosque, Gurdwara, Church.

How to calculate Deduction u/s 80G

1. Calculate Adjusted GTI.
2. Calculate Qualifying Limit [= 10 % of Adjusted GTI]
3. Eligible donations in C & D (which are subject to Qualifying Limit) should be Aggregated.
4. Firstly, Donations eligible for 100% Deduction (C) should be adjusted against Qualifying Limit.
5. Balance Qualifying Limit shall be adjusted against Donations Eligible for 50% Deduction & then deduction of 50% shall be calculated.
6. Total Deduction under (C) & (D) should be limited to Qualifying Limit (10% of Adj. GTI)
7. Donations made under (A) & (B) are fully allowed without QUALIFYING LIMIT.

Deductions in Respect of Rent Paid [Sec 80GG]**Assessee**

- + Any Self-Employed Individual OR
- + Employed Individual (Not in Receipt of HRA u/s 10(13A) / Rent-Free Accommodation)

Payment

Rent paid for his Residential Accommodation along with his family.

Deduction [Whichever is lower]

- (a) ₹ 5,000 P.m
- (b) Excess of Rent paid over 10% of Adjusted GTI
- (c) 25% of Adjusted GTI

Adjusted GTI

Adjusted GTI for this purpose means GTI as REDUCED by:

1. LTCG u/s 112, 112A & STCG u/s 111A.
2. All Deductions u/s 80C-80U Except Deduction u/s 80GG.

Condition

- Assessee, spouse or minor child or HUF of which assessee is a member, does not own any residential accommodation at the place where assessee ordinarily resides or at the place where he works or carries on his business or profession.

Donation for Scientific Research / Rural Development [Sec 80GGA]

Assessee: - Any Assessee NOT having PGBP Income

Eligible Payment

Payment made during PY to the following:

- Approved Research Association/University/College to be used for **Scientific or Social or Statistical Research or Rural Development** as specified u/s 35CCA.
- Notified rural development fund.
- Public sector company/LA/Association/Institution approved by National Committee, for carrying out any **eligible project/scheme specified in Sec. 35AC.**
- National Urban Poverty Eradication Fund (NUPEF).**

Deduction: - 100% of the Donation Paid.

Mode of Payment

- Amount shall be Paid by any mode other than Cash.
- However, Donations upto Rs 2000 can be made in Cash.

Note: Deduction allowed to the assessee shall not be denied even if approval granted to any of the above institution is withdrawn after the payment of donation by the assessee.

Contributions Given by Company to Political Party [Sec 80GGB].

Eligible Assessee: - Indian Companies only.

Eligible Payment

Any sum contributed in PY to any Political party or Electoral Trust.
Expenditure on advertisement in Brochure of Political party → Eligible.

Deduction: - 100% of the Donation Paid.

Mode of Payment: - Amount shall be paid by Any mode other than Cash.

Contributions Given by Any Person to Political Party [80GGC]**Eligible Assessee**

Any other Person [Except Local Authority & Every AJP funded by Government]

Eligible Payment

Any sum contributed in PY to any Political party or Electoral Trust.

Deduction: -100% of the Donation Paid.

Mode of Payment

Amount shall be paid by Any mode other than Cash.

Note: Government companies cannot give political donations.

B. INCOME BASED DEDUCTIONS**Deduction for "Employment of New Employees" [Sec 80JJAA]**

Applicability: - Assessee to whom Section 44AB (Tax Audit) Apply.

Deduction: - 30% of Additional Employee Cost incurred in the PY would be allowed for 3 years starting from the year in which such Employment is provided.

Conditions

- (a) Business should Not be formed by Splitting up or Reconstruction of Existing Business.
- (b) Business should Not be Acquired by the Assessee by way of Transfer from any other Person or as a result of any Business Re-organisation.
- (c) Prescribed Audit Report should be furnished along with ROI.

AEC (Additional Employee Cost)

AEC = Total Emolument Paid to Additional Employees Employed during PY.

- i. **In case of Existing Business: AEC = Nil if:**
 - (i) There is No Increase in Number of Employees from Total Number of Employees Employed on Last Day of Preceding Year; [Even if New Employees are Employed]
 - (ii) Payment is made otherwise than by A/c Payee Cheque/Draft/Net banking/other electronic mode.

- ii. **In case of New Business:**
AEC = Emoluments Paid to Employees Employed during that PY.

Additional Employee

Employee who has been Employed during PY & his employment has increased Total No. of Employees on the last day of Preceding year but does Not Include:

- (a) Employee whose Total Emoluments exceeds ₹ 25,000 p.m;
- (b) Employee for whom Entire Contribution is Paid by Govt under Employees' Pension Scheme;
- (c) Employee Employed for less than 240 days during PY. [If Assessee engaged in Business of Manufacturing of Apparel, Footwear, Leather Products → 150 days during PY]
- (d) Employee who does Not Participate in RPF.

Emoluments Any Sum Paid/Payable to Employee for his Employment but does Not Include:

- * Contribution Paid/Payable by Employer to Pension fund/PF/Any other Fund for the benefit of the Employee under any law;
- * Any Lump-sum Payment Paid/Payable to Employee at the time of Termination or Superannuation/ Voluntary Retirement. [Ex: Gratuity, Pension, VRS etc]

Royalty Income of Authors of Books [Sec 80QQB].

Eligible Assessee: - Resident Individual who is an Author/Joint Author.

Deduction

Maximum upto ₹ 3 lacs. (In case of royalty received in % then 15% of MRP of books sold.)

Income Eligible for Deduction.

Royalty Income.

- ✚ Such book should be a work of Literary, Artistic or Scientific Nature.
- ✚ Royalty Income from Textbook for Schools, Guides, Commentaries, Newspapers, Journals, Pamphlets → Not Eligible for Deduction.

Note: Royalty Income (before allowing Expenses attributable to such income) shall Not Exceed 15% of the value of books sold during PY. [If it Exceed 15%, Excess amount is Not deductible] However, this condition is **not applicable** where Royalty is **receivable in lumpsum** in lieu of all rights of the author in the book.

Deduction in Respect of Royalty on Patents [Sec 80RRB].

Eligible Assessee.

Resident Individual who is registered as True & First Inventor under the Patents Act, 1970, including co-owner of the patent.

Deduction

Maximum upto ₹ 3 lacs.

Income Eligible for Deduction**Royalty Income including Consideration for:**

- (i) Transfer of Rights in the Patent or
- (ii) Providing information for working or use in India. It includes Advance Royalty which is Not Returnable.

Note: Exemption is not Available on Consideration for Sale of Product Manufactured using of Patented process/Article for Commercial Use.

Subsequent Revocation of Patent

If Patent is Subsequently Revoked → Deduction allowed shall be deemed to have been Wrongly Allowed & Assessment shall be rectified u/s 155.

Note: Period of 4 years for Rectification u/s 155 shall be reckoned from the end of PY in which order of the Revocation is Passed.

Note: -Royalty from Foreign Country (For 80QQB & 80RRB)

Royalty brought to India in Convertible Foreign Exchange within 6 Months from the end of the P.Y or extended period (by RBI) shall only be allowed as Deduction. Assessee is required to furnish a Prescribed Certificate along with ROI.

Deduction of "Interest on Deposit in Saving A/c" [Sec 80TTA]**Eligible Assessee**

Individual/HUF whose GTI includes Interest on Deposits in Saving A/c in Bank/Co-operative Bank/Post office (Except Time Deposit repayable after Fixed Period i.e. FD)

Deduction

Interest on Saving Deposits (other than Time Deposits) upto ₹ 10,000.

Points to be noted:

1. Interest from Deposit in Savings A/c held by firm/AOP/BOI → No Deduction to Partner/Member.
2. Ded. u/s 80TTA is not available to Resident Senior Citizen eligible for deduction u/s 80TTB.
3. Section 10(15)(i) → Saving A/c Interest in POST OFFICE is Exempt upto ₹ 3,500/₹ 7,000 {for joint account}

Interest on Deposits in Case of Senior Citizens [Sec 80TTB]**Assessee**

Resident Senior Citizen (age 60 yr or more) whose GTI includes Interest on Deposits in Bank/Co-operative Bank/Post office.

Deduction

Interest on Saving Deposits upto ₹ 50,000.

Note: It may be Interest on Saving A/c, Fixed Deposit or any other Interest.

C. OTHER DEDUCTIONS**Deduction in Respect of Inter-Corporate Dividend [Sec 80M]**

✚ Applicable - domestic company

✚ Quantum of deduction - Lower of following -

- i. Dividend so received by the assessee
- ii. Dividend distributed by the assessee within due date

Deduction in Respect of Income of Producer Companies [Sec 80PA]

Applicable to - producer company

Conditions to be satisfied - Turnover - less than ₹100 crore

Quantum of deduction - 100%

Deduction in Respect of Profits and Gains of Business of Collecting and Processing of Bio-Degradable Waste [Sec 80JJA]

Applicable to - all assessee

Condition to be satisfied - engaged in business of collecting and processing or treating of bio-degradable waste

Quantum of deduction - 100% of profit for 5 consecutive years

Deduction in Case of Developer of SEZ U/s 80-IAB

Applicable to: - Assessee engaged in the business of developing a SEZ

Quantum of deduction - 100% of profit for 10 consecutive years out of first 15 years.

Audit of Accounts: - Deduction allowed only if accounts has been audited by CA.

Transfer of business: - Deduction allowed to transferee for remaining unexpired period.