22 Calculation of Total Income : Deductions under Chapter VI

Total income or taxable income can be obtained after deducting the eligible deduction u/c VI A from the gross total income

1. Following portion of gross income cannot be adjusted against deductions u/c VI A :
   - Long-term capital gain
   - Short term capital gain due to transfer of shares and units of mutual funds
   - Income arises from winning lottery & horse racing
   - Income of some heads related to section 115
2. Aggregate Sum of all deductions cannot be more than Gross Total Income
3. Investment for claiming deduction can be made from income of any financial year

Summary of important applicable deductions under chapter VI A

Section	Applicable deductions
80C	Investment in saving scheme (initially allowed u/s 88) such as sukanya Surajnidhi GPF/PPF/LIC/GIS/PLI/NSC/ NABARD Bond/ ELSS, Tuition fees of children & repayment of house loan principal, without any interim limit, maximum up to a limit of Rs.1.5 Lakh including Bank FD for 5 years or more
80CCC	Premium amount deposited in pension scheme of Govt./private insurance co., maximum up to Rs. 1.5 Lakhy early
80CCD	Contribution of assessee and employer in pension scheme of Central Govt., up to a limit of 10% of salary (Pay + GP + DA)
80CCD (IB)	Investment in NPS upto Rs 50000/- can be claimed in deduction in addition to over all limit of Rs. 1.5. lac u/s 80 CCE
80CCE	Investment done u/s 80C,80CCC& 80CCD combined should not be more than Rs 1.5 Lakh but excluding contribution of employer towards NPS up to 10 % of salary
80CCG	The deduction to be allowed from the gross total income in respect of 50% of the amount invested in specified listed equities in Rajiv Gandhi Equity Scheme to new retail investor subject to the maximum Rs. 25,000/-from FY 12-13
80D	Premium paid for medical insurance scheme for self husband/wife or children maximum up to Rs.15, 000 & Additional Rs. 15,000 will be allowed for Medical Insurance for mother, father from FY 08 - 09 (but if age of insured person is more than 65, then maximum up to Rs. 20, 000)
80DD	Deduction of Rs.50, 000 against expenses or insurance premium occurred on treatment of dependent disable deduction of Rs. 1 Lakh from Financial year 2010 allowed (in case of serious disability. No matter actual expenses may be less.)
80E	Payment of Interest of education loan taken for higher education of self or spouse or children - without any maximum limit of payment
80G	Donation given in PM/CM relief fund, National Defence fund etc., are fully exempted.
80 TTA	Interest from savings accounts (in Bank / post office) is deductible subject to a maximum of Rs.10, 000 for individual and HUF
80U	If an assessee is completely blind or physically or mentally disabled permanently then deduction of Rs. 50,000 is allowed

22.1 Details of deductions allowed u/s 80C :

From F.Y. 2014-15, under section 80C, an individual & HUF can claim a deduction up to Rs. 1.5 Lakh for the investments/expenses made (without any interim limit) in the specified savings scheme/head of expenses . Here it is also not necessary that investment in these schemes should be done from the income earned in the same year.

Important schemes/head for investment/ expenses	**Limit of investment applicable u/s 80C in financial year 2015-16**
Contribution of employee in GPF/CPF/PPF in the name of self, spouse and children	Max up to Rs.1,50,000
Investment against purchase of NSC, due interest on earlier purchased NSC (excluding interest of 6th year)	Max up to Rs.1,50,000
Premium paid during the year in a Life insurance scheme of Govt./Private insurance Co., postal insurance & ULIP scheme of UTI for self husband/ wife & children (married-unmarried & major/minor) maximum up to limit of 20% of (SA), for policies issued up to March 31, 2012 and 10% of SA for policies issued after Apr 1, 2012 but in case of disabled persons, it is 15% of SA w.e.f. Apr 1, 2013 .	Max up to Rs.1,50,000
Repayment of housing loan (taken for purchase /construction of house from approved institution) principal & necessary expenses as stamp duty, registration fees etc.	Max up to Rs.1,50,000
Amount paid in the form of tuition fees of a child studying in college, university, school or other educational institute (excluding development fee or donation fee) deduction applicable up to 2 children only	Max up to Rs.1,50,000
Investment for 5 years & above in Scheduled Bank / Post office as Fixed Deposit	Max up to Rs.1,50,000
Equity linked tax saving scheme of mutual fund	Max up to Rs.1,50,000
Sr. Citizen Deposit Scheme of Post office	Max up to Rs.1,50,000
Investment in Sukanya Samridhi accounts for girls	Max up to Rs.1,50,000

22.2 Section 80CCC: Deductions relating to investment done in pension fund:

Investment in Pension scheme of LIC or Annuity Pension scheme of approved private insurance company, up to max Rs.1,50,000 is allowed as deduction. Amount received by an assessee or his nominee as pension, bonus or interest will be fully taxable in the receiving year. Investment made under this scheme, cannot be claimed u/s 80C again.

22.3 Section 80CCD: Contribution by Governement employee contribution (employed after April 1, 2004)/ private employee (employed any time –inserted by *Finance Act 2014*) / any other person inserted by *finance act 2009*) and employer (in assessee's pension account) in notified pension scheme will be allowed as deduction, to individual assessee. The deduction shall be allowed to the maximume limit of 10% of salary (Pay+DP+DA) for employee and 10 % of gross total income, in case of any other person. Amount deposited by employer in assessee's notified pension account shall also be eligible for deduction up to 10% of salary, separately, further this deduction shall be additional to the overall limit of 1.5 Lakh u/s 80CCE

Example: Rs.15,000 is contributed by employee and employer, separately and if 10% of (Basic+DP+DA) is equal to Rs. 12,500, then total deduction of Rs.25,000 will be admissible. And out of which Rs.12,500 (employee contribution) is within limit of Rs.1.5 Lakh and remaining Rs.12,500 (employer contribution) would be within Rs.1.5 Lakh u/s 80CCE.

Additional deduction to all individuals of Rs. 50000 for investment in NPS u/s 80CCD(1B)

A new section 80CCD (1B) has been inserted, by which any Individual's contribution up to Rs. 50,000 (in a financial year) in NPS (new pension system), is eligible for deduction. This deduction is allowed additionally to the overall limit of deduction of Rs.1.5 lakh under Section 80CCE. The deduction is also additional to the deduction allowed u/s 80 CCD up to 10 % of salary and 80 CCD where employer's contribution is allowed up to max 10% of Basic+DA. For more clairity pl refer following table –

SN	Section	Category of assessee	Limit of deduction	Remarks
1	80CCD(1)	Govt employee joined after Apr1,2004	10% of salary	Under over all limit of Rs.1.5 lakh u/s 80 CCE
		Private employee joined any time	10% of salary	
		Self employed individual	10% of Gross total income	
2	80CCD(1A)	Omitted by Finance Act 2015		
3	80CCD(1B)	Any Individual - including Govt / Private Employee	Max. Rs.50000	In addition to the limit of Rs.1.5 lakh u/s 80 CCE
4	80CCD(2)	Govt / Private Employee – deduction towards Employer’s contribution in NPS	Max. 10% of salary	

Note – here Salary = Basic pay + Dearness allowance (DA)

Thus an employee can take advantage of deduction from taxable income towards investment in NPS for maximum up to Rs.50000, u/s 80CCD (1B) and up to 10% of salary towards employers' contribution, u/s 80CCD (2) in addition to Rs.1.5 lakh towards self contribution in NPS u/s 80CCD (1); simultaneously, in any financial year but the employee has to make investment separately for towards each section and further these deductions cannot be claimed further in any other section.

22.4 Section 80CCE: Overall limit of deductions u/s 80 C, 80 CCC, 80 CCD:The investments made u/s 80C, 80CCC and 80CCD (excluding contribution of employer in new pension scheme up to 10% of Basic+DA and investment u/s 80CCD (2)) shall be eligible for deduction up to limit of Rs.1.5 Lakh, in total.

22.5 Section 80CCF: A provision of deducting Rs. 20,000 was available for investment in infrastructure bond but this provision has been *discontinued* form the FY 11-12.

22.6 Section 80CCG: Rajiv Gandhi Equity Saving Scheme was introduced in the budget (2012-13) by the former Finance Minister. This is first of its kind scheme in India which allows, the new retail investor to invest up to Rs. 50,000 directly into equity shares and units of Equity Oriented Mutual (EOMF) unds and avail tax benefit on 50% percent of investment made directly into equity shares i.e. deduction of max .

Rs. 25,000 can be claimed under this section subject to the following conditions:

(1) The gross total income of the investor shall not exceed Rs. 12 Lakh for the relevant year

(2) The benefit under the scheme will be given to the first time investors into equity market

(3) Investments will be subject to lock-in period of three years

(4) If the assessee has claimed and has been allowed a deduction under this section for any assessment year in respect of any amount, he shall not be allowed any deduction under this section for any subsequent assessment year

(5) The deduction is allowable for maximum three consecutive year from the date when first investment was made under overall maximum limit of Rs. 25,000 in total

22.5 Section 80D: Deduction in reference to investment made in health insurance scheme– Premium paid for medical insurance scheme or preventive health check up for self, husband / wife, or children max. Rs.25,000 & *Additional deduction up to Rs. 25000 will be allowed for Medical Insurance for mother, father from FY 08-09*. But if the age of the insured person is more than 65 any time during FY, then max. deduction of Rs.30,000 shall be allowed. *However, the limit of maximum deduction for payment on account of preventive health check-up of self, spouse, parents, dependent children, in aggregate, shall be Rs.5000.*

Condition: The payment of premium of health insurance should be from the same year's taxable income & through cheque/DD/online payment i.e. other than cash. However, the payment for preventive check up may be in any mode including cash.

22.6 Section 80DD: Deduction of expenses made with reference to medical treatment : With reference to medical treatment & maintenance of dependent handicapped, in case of general disability, Rs. 75, 000 & in case of serious disability, Rs.1,25,000 will be eligible for deduction (No matter whether the actual expenses or investment is less). According to *Person with Disability Act 1995,* disability amounting to than 40% is called as *general disability* & disability more than 80% is called as *serious disability*.

Deductions are applicable only if the following conditions are fulfilled :

(1) Assessee has to spend amount for treatment / rehabilitation of dependent handicapped.

(2) Assessee has invested some amount in the schemes (for benefit of handicapped person) such as JeevanVishwas/ JeevanAadhar scheme of LIC or approved insurance companies or Unit Trust's scheme for disabled persons.

(3) Dependent handicapped means: Life partner, children, brother, sister or dependent parents of assessee.

(4) For any disability of following type the person will be assumed as handicapped:

(i) Permanent physical disability due to absence of more than (50%) one limb. Unable to hear sound of 71 decibel or more, or permanently dumb.

(ii) If a person is having I.Q. less than 50, then he will be assumed mentally disable. (On a test with a mean of 100 & standard deviation of 15 such as the Wechsler Scale)

(iii) If the viewing capacity is as per following & cannot be cured then the blindness will be assumed as permanent physical disability.

All with corrections by using spectacle

SN	Better eye	Worse eye
A	6/60 – 4/60 field of vision 110 – 20	3/60 to Nil
B	3/60 to 1/60 or field of vision 100	F.C at foot to Nil
C	F.C at one foot to Nil or F.O.V. 100	F.C at one foot to Nil or F.O.V. 100
D	Total absence of sight	Total absence of sight

(5) Assessee has to produce permanent disability certificate from a competent Medical Practitioner working in a Govt. Hospital.

(6) Assessee has to give written declaration in which it is mentioned about medical expenses & investments made by him. But DDO cannot force assessee to produce bill or voucher against the expenses.

22.7 Section 80DDB: Deduction of amount spent for Medical treatment of serious disease for self or dependent person:

1) As per rule 11 of income tax, for treatment of specified illness during the year, amount actually spent or Rs.40, 000 (for senior citizen Rs. 60, 000 and Rs 80,000 for very Sr. citizen), whichever is less, will be allowed as deduction. If any amount is received under medical insurance policy for treatment of illness, it will also be deducted.

(2) As per rule 11DD of income tax some of the specified diseases are as:
(a) Cancer (b) Thalassemia (c) Haemophilia
(d) Neurological disease (e) AIDS (f) Chronic Renal Failure

(3) Previously Assessee has to produce a certificate in a prescribed format (10 – 1), by specialist Doctor of related disease working in a Govt. Hospital; but now it not required from FY 15-16.

(4) Dependent person means: Life partner, children, brother, sister, dependent parents of assessee (individual &HUF).

22.8 Section 80G: Deductions related to donations given to charitable or religious institution:

(a) *100% deduction on donations is given to following institutions:*
PM relief fund, National disease relief fund, Fund constituted for technical development, national defence fund, Governor or CM relief fund, Notified educational institute or university of national level, Notified fund by state government to help poor for better health, Notified district co-operative committee in rural & urban areas to promote primary education & literacy. clean Ganga fund, Swachh Bharat Kosh and National fund for control of drug abuse

(b) 50% deduction on donations given to following institutions:
PM drought relief fund, National Children fund, India Gandhi memorial trust, Rajeev Gandhi Foundation.

(c) 100% deduction with condition on donations given to following institution:
Any Govt. or approved local administration, institute, association constituted for promoting family planning etc.

(d) 50% deduction with condition on donations given to following institutions:
Any Govt. or approved local administration, institution or association constituted for providing health other than family planning, Approved charitable institution u/s 80G (5), Notified Temple, Mosque, Gurudwara, Church (places of historical, mythological & artistic importance) for their renovation approved by Central Govt.

Condition :
Total amount of donations given to institution in (c) & (d) should not be more than 10% of adjusted gross total income.
Adjusted total income = Gross total income –long term capital gain –sum of deduction u/s 80CCC to 80U (except 80G)

22.9 Section 80E- Deduction in respect of interest paid on Education loan: This deduction is allowed to an individual assessee for loan taken for higher education of the relatives as Self, spouse, children. Individual assessee shall be eligible to claim deduction with respect to the interest paid on loan for the higher education u/s 80 E. The beneficiary may be dependent or independent. If the loan is taken for higher education from approved financial or charitable institution & payment made from his taxable income, then deduction is allowed without any upper limit subject to the following conditions:

(a) Higher education means - *all fields of study, including vocational studies, pursued after completion of schooling*

(b) The deduction will be allowed for a maximum period of 8 years beginning from the year in which payment of interest on the loan begins or till the interest is paid in full, whichever is earlier.

22.10 Section 80EE- Interest on Home loan : Deduction of an amount maximum *Rs. 50000 is allowable in respect of interest payable on Home loan,* taken for acquiring of residential house property subject to the following conditions:

- The loan should be sanctioned in FY, 2016-17
- The amount of loan should not exceed Rs. 35 Lakh
- The value of residential property should not exceed Rs. 50 Lakh
- The assessee does not have any residential property on the date of sanction of the loan
- The Interest claimed for deduction under this section can not be claimed u/s 24

22.11 Section 80 G: Deduction in reference to payment of house rent:

Amount paid by assessee (which also : includes those employees also who are not getting house rent allowance) as house rent is allowed for deduction for the amount whichever is least from the following:

- Rent paid – 10% of taxable income or,
- 25% of taxable income or,
- Yearly rent @ Rs 5,000 per month

For applicability of the deduction, one has to fulfil the following criteria :

(a) Assessee should not have house on his/ life partners or children's name at his working place. He shall also not have House at other than working place .

(b) As per rule 11B, assessee has to give a declaration in prescribed *Form no. 10BA*

22.12 Section 80GGB: Donation given to political party by Indian Companies:
Donation given through cheque to political parties registered u/s section 29A and electoral trust of People Representation Act 1951 will be fully deductible.

22.13 Section 80GGC: Donation given to political parties through Cheque by any person: Donation given to political parties registered u/s section 29A of *People Representation Act 1951* and electoral trust (excluding local organisation & corporation) will be fully deductible.

22.14 Section 80TTA: Deduction of Interest of savings a/c- maximum Rs.10,000 is allowable for individual and HUF, in respect of interest from savings accounts in a bank or in post office however interest on time deposit (fixed) and , recurring deposit are not eligible for deduction.

22.15 Section 80U: Deduction relating to permanent physical/ mental disability*:* If an assessee himself is handicapped then in case of general disability Rs.75,000 & in case of serious disability Rs.1,25,000 will be allowed for deduction. No matter it the amount actually spent or invested is less. As per *Persons with Disability Act, 1995*, disability more than 40% is called as *general disability* & disability of more than 80% is called as *serious disability*. More information is given on page 54 u/s 80DD of this magazine.