

Note on deductions under Chapter-VI

Section 80D

D. Section 80D provides for deduction available for health premia paid etc. In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted such sum, as specified below payment of which is made by any mode, other than cash, in the previous year out of his income chargeable to tax.

Where the assessee is an **individual**, the sum referred to shall be the aggregate of the following, namely:—

- (a) the whole of the amount paid to effect or to keep in force an insurance on the health of the assessee or his family as does not exceed in the aggregate **fifteen thousand rupees**; and
- (b) the whole of the amount paid to effect or to keep in force an insurance on the health of the parent or parents of the assessee as does not exceed in the aggregate **fifteen thousand rupees**.

Explanation.—For the purposes of clause (a), "family" means the spouse and dependent children of the assessee.

Where the assessee is a **Hindu undivided family**, the sum referred to shall be the whole of the amount paid to effect or to keep in force an insurance on the health of any member of that Hindu undivided family as does not exceed in the aggregate **fifteen thousand rupees**.

Where the sum specified above is paid to effect or keep in force an insurance on the health of any person specified therein, and who is a **senior citizen**, the deduction available is **"twenty thousand rupees"** rather than fifteen thousand as specified above.

Explanation.—For the above **"senior citizen"** means an individual resident in India who is of the age of **sixty-five years** or more at any time during the relevant previous year.

The insurance referred to above shall be in accordance with a scheme made in this behalf by—

- (a) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf; or
- (b) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).]

Section 80DD

E. Under **section 80DD**, where an assessee, who is a resident in India, has, during the previous year,—

(a) incurred any **expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability**; or

(b) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the specified company subject to the conditions specified in this regard and approved by the Board in this behalf for the maintenance of a dependant, being a person with disability,

the assessee shall be allowed a deduction of a sum of **fifty** thousand rupees from his gross total income of that year.

However, where such dependant is a person with severe disability, an amount of seventy-five thousand rupees shall be allowed as deduction subject to the specified conditions.

The deduction under clause (b) of sub-section (1) shall be allowed only if the following conditions are fulfilled:—

A.(i) the scheme referred to in clause (b) above provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability, in the event of the death of the individual in whose name subscription to the scheme has been made;

(ii) the assessee nominates either the dependant, being a person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

However, if the dependant, being a person with disability, predeceases the assessee, an amount equal to the amount paid or deposited under sub-para(b) above shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

B. The assessee, claiming a deduction under this section, shall furnish a copy of the certificate issued by the medical authority

in the prescribed form and manner, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

In cases where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period unless a new certificate is obtained from

the medical authority in the prescribed form and manner and a copy thereof is furnished along with the return of income.

For the purposes of section 80DD,—

- (a) "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) ;
- (b) "dependant" means—
 - (i) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;
 - (ii) in the case of a Hindu undivided family, a member of the Hindu undivided family, dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;
- (c) "disability" shall have the meaning assigned to it in clause (i) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) and includes "autism", "cerebral palsy" and "multiple disability" referred to in clauses (a), (c) and (h) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);
- (d) "Life Insurance Corporation" shall have the same meaning as in clause (iii) of sub-section (8) of section 88;
- (e) "medical authority" means the medical authority as referred to in clause (p) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or such other medical authority as may, by notification, be

specified by the Central Government for certifying "autism", "cerebral palsy", "multiple disabilities", "person with disability" and "severe disability" referred to in clauses (a), (c), (h), (j) and (o) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

- (f) "person with disability" means a person as referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) or clause (j) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);
- (g) "person with severe disability" means—
- (i) a person with eighty per cent or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996); or
- (ii) a person with severe disability referred to in clause (o) of section 2 of the National Trust for Welfare of Persons

with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);

- (h) "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).]

Section 80E

F. Under **Section 80E** of the Act a deduction will be allowed in respect of **repayment of interest on loan taken for higher education**, subject to the following conditions:

- (i) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of interest on loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education or for the purpose of higher education of his spouse or children.
- (ii) The deduction specified above shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the interest referred to above is paid in full by the assessee, whichever is earlier.

For this purpose –

- (a) "approved charitable institution" means an institution established for charitable purposes and approved by the prescribed authority under clause (2C) of section 10, or, an institution referred to in clause (a) of sub-section (2) of Section 80G.

- (b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (c) **"higher education" means any course of study 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 authorised by the Central Government or State Government or local authority to do so;**
- (d) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan.
- (e) **relative", in relation to an individual, means the spouse and children of that individual or the student for whom the individual is the legal guardian**

Section 80G

G. Section 80G provides for deductions on account of donation made to various funds , charitable organizations etc. Generally **no deduction should be allowed by the D.D.O. from the salary income in respect of any donations made for charitable purposes.** The tax relief on such donations as admissible under section 80G of the Act, will have to be claimed by the tax payer in the return of income. However **in cases where employees make donations to the Prime Minister's National Relief Fund, the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund through their respective employers, it is not possible for such funds to issue separate certificate to every such employee in respect of donations made to such funds as contributions made to these funds are in the form of a consolidated cheque. An employee who makes donations towards these funds is eligible to claim deduction under section 80G. It is, hereby, clarified that the claim in respect of such donations as indicated above will be admissible under section 80G on the basis of the certificate issued by the Drawing and Disbursing Officer (DDO)/Employer in this behalf - Circular No. 2/2005, dated 12-1-2005.**

Section 80GG

H. Under **Section 80GG** of the Act an assessee is entitled to a deduction in respect of **house rent paid by him for his own residence.** Such deduction is permissible subject to the following conditions :-

- (a) the assessee has not been in receipt of any House Rent Allowance specifically granted to him which qualifies for exemption under section 10(13A) of the Act;
- (b) the assessee files the declaration in Form No.10 BA. **(Annexure-VI)**
- (c) He will be entitled to a deduction in respect of house rent paid by him in excess of 10 per cent of

his total income, subject to a ceiling of 25 per cent thereof or Rs. 2,000/- per month, whichever is less. The total income for working out these percentages will be computed before making any deduction under section 80GG.

(d) The assessee does not own:

(i) any residential accommodation himself or by his spouse or minor child or where such assessee is a member of a Hindu Undivided Family, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or

(ii) at any other place, any residential accommodation being accommodation in the occupation of the assessee, the value of which is to be determined under clause (a) of sub section (2) or, as the case may be, clause (a) of sub-section (4) of section 23:

The Drawing and Disbursing Authorities should satisfy themselves that all the conditions mentioned above are satisfied before such deduction is allowed by them to the assessee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

Section 80U

I. Under **section 80U**, in computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a **person with disability**, there shall be allowed a deduction of a sum of fifty thousand rupees.

However, where such individual is a person with severe disability, a higher deduction of **one lakh rupees** shall be allowable.

Every individual claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner along with the return of income, in respect of the assessment year for which the deduction is claimed.

In cases where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any subsequent period unless a new certificate is obtained from the medical authority in the prescribed form and manner and a copy thereof is furnished along with the return of income.

For the purposes of this section, the expressions "disability", "medical authority", "person with disability" and "person with severe disability" shall have the same meaning as given in section 80DD (sub-para E of para 5.4 of this Circular).

DDOs to satisfy themselves of the genuineness of claim:

(21) The Drawing and Disbursing Officers should satisfy themselves about the actual deposits/ subscriptions / payments