Deductions under Chapter VIA

1. Section 80C: A deduction of Rs. 1, 50,000 can be claimed on your total income u/s 80C. This deduction is allowed to an Individual or a HUF. Below given are several investments, expenses and payments allowed to be claimed under section 80C. Maximum deduction allowed cannot exceed Rs. 1, 50,000.

   Investments:

   a. Investment in Public Provident Fund (PPF): A PPF account can be opened and deposit made in the account can be claimed for deduction. A maximum of Rs. 1, 50,000 is allowed to be invested in one financial year. The minimum investment required in each year is Rs. 500. Interest is compounded annually and is reset quarterly. Interest on PPF account is fully tax free. The PPF account matures after 15 years. Receipts on maturity or withdrawals are tax free. Amount invested is allowed to be withdrawn after 5 years. PPF account deposit in the name of your spouse or child can also be claimed for tax deduction in your tax return.
   b. Purchase of NSCs: National Savings Certificate or NSC are eligible for deduction in the year they are purchased. These can be bought from designated Post Office. Their term is for 5 years and interest earned is compounded annually. Interest earned is taxable. Interest earned is also eligible for deduction under section 80C during the term of the NSCs (except the last year).
   c. Investment in Sukanya Samridhi account: A maximum of Rs 1,50,000 can be deposited in the Sukanya Samridhi Account for a girl child. Interest rate is compounded annually. This interest is fully exempt from tax. A minimum of Rs 1,000 must be deposited in a year. Receipts on maturity from the account are tax free. The account matures after 14 years.
   d. Investment in ELSS: ELSS or Equity Linked Savings Scheme is a type of a mutual fund investment. Investments made in ELSS funds during the financial year are eligible for deduction under section 80C. These funds have a 3 year lock in period.
   e. ULIPS or Unit Linked Insurance Plan: ULIPS sold with life insurance are also eligible for deduction under section 80C. This includes Contribution to Unit Linked Insurance Plan of LIC Mutual Fund e.g. Dhanraksha 1989 and contribution to Other Unit Linked Insurance Plan of UTI. Deduction claimed under ULIP will be withdrawn if the policy terminates before paying premium for 5 years. ULIP proceeds after maturity is exempt from

tax. ULIPin the name of your spouse or child can also be claimed for tax deduction in your tax return.

f. Five Year Post Office Time Deposit Scheme: This is similar to bank fixed deposits. Although available for varying time duration like one year, two year, three year and five year, only 5-Yr post-office time deposit (POTD) qualifies for tax saving. Interest is compounded quarterly but paid annually. The Interest is entirely taxable.
g. Fixed deposit with a bank: Tax-saving fixed deposits (FDs) of scheduled banks with tenure of 5 years.
h. Amount deposited under Senior Citizens Saving Scheme: A recent addition to the list, Senior Citizen Savings Scheme (SCSS) is a small savings schemes but is meant only for senior citizens. Interest is payable quarterly instead of compounded quarterly. Thus, unclaimed interest on these deposits won't earn any further interest. Interest income is chargeable to tax. The account may be opened by an individual
    i. who has attained age of 60 years or above on the date of opening of the account.
    ii. Who has attained the age 55 years or more but less than 60 years and has retired under a Voluntary Retirement Scheme or a Special Voluntary Retirement Scheme on the date of opening of the account within three months from the date of retirement.
    iii. No age limit for the retired personnel of Defence services provided they fulfil other specified conditions.
i. Subscription to any notified securities/notified deposits scheme. e.g. NSS
j. Contribution to notified Pension Fund set up by Mutual Fund or UTI.
k. Sum paid as subscription to Home Loan Account Scheme of the National Housing Bank or contribution to any notified deposit scheme/pension fund set up by National Housing Bank.
l. Subscription to deposit scheme of a public sector, company engaged in providing housing finance (public deposit scheme of HUDCO).
m. Contribution to notified annuity Plan of LIC (e.g. Jeevan Dhara and Jeevan Akshay) or Units of UTI / notified Mutual Funds.
n. Subscription to equity shares/ debentures forming part of any approved eligible issue of capital made by a public company or public financial institutions.
o. Subscription to any notified bonds of NABARD (National Bank for Agriculture and Rural Development).

Expenses

a. EPF or Employee's share of PF Contribution: Employee contribution to EPF is eligible for deduction under section 80C i.e. 12% of your Basic + DA is deducted by the employer and deposited as your contribution in Employee's Provident Fund Scheme or Recognized Provident Fund.
b. Life Insurance Premium Payment: The policy must be in the taxpayer's name or spouse's or any child's name (child may be dependent/independent, minor/major, or married/unmarried). The deduction is valid on insurance policies purchased after 1st April, 2012 only if the premium is less than 10% of sum assured. Benefits for existing purchased policies continue. The deduction is also allowed on payments made by Government employees to Central Government Employees Insurance Scheme. Receipts on maturity are tax free. Deduction claimed will be withdrawn if the policy terminates with 2 years.
c. Children's Tuition Fee Payment: Deduction can be claimed for Tuition fees paid to any school, college, university or other educational institution situated within India for the purpose of full time education of any two children (including payments for play school, pre nursery and nursery).
d. Principal Repayments on Loan for purchase of House Property: Principal repayment of loan taken for buying or constructing a residential house property is also eligible for deduction in 80C. Deduction is also allowed for stamp duty, registration fees and other expenses of transfer of such property to the taxpayer. However, if the property is transferred or sold before the expiry of 5 years from the end of the financial year in which its possession was taken; the total deduction allowed for various years shall be taxed in that year.
e. Sum paid for securing Deferred Annuity: Deduction is allowed on sum paid under non commutable deferred annuity for an individual on the life of the taxpayer, spouse or any child. This is also allowed on sum deducted from salary payable to Govt. Servant for securing deferred annuity for self, spouse or child. Payment limited to 20% of salary or actual contribution, whichever is less.

2. Section 80CCC: Deduction for Premium Paid for Annuity Plan of LIC or Other Insurer The deduction is allowed to an Individual for any amount paid or deposited in any annuity plan of LIC or any other insurer. The plan must be for receiving pension from a fund referred to in Section 10(23AAB). If the annuity is

surrendered before the date of its maturity, the surrender value is taxable in the year of receipt.

3. Section 80CCD: Deduction for Contribution to Pension Account
    a. Employee's contribution – Section 80CCD(1): Allowed to an Individual who makes deposits to his/her Pension account. Maximum deduction allowed is 10% of salary (in case of taxpayer being an employee) or 10% of gross total income (in case of tax payer being self-employed) or Rs. 1,50,000 whichever is less.
    b. Employer's contribution – Section 80CCD(2): Deduction is allowed for employer's contribution to employee's pension account up to 10% of the salary of the employee. There is no monetary ceiling on this deduction.
    c. Deduction for self-contribution to NPS - Section 80CCD(1B)
    d. A new section 80CCD(1B) has been introduced for additional deduction for amount deposited by a taxpayer to their NPS account. Contributions to Atal Pension Yojana are also eligible under this section. Deduction is allowed on contribution up to Rs. 50,000.
4. Various Deductions under Section 80TTA: This section allows deduction from gross total income for Interest on Savings bank account. A deduction of maximum Rs. 10,000 can be claimed against interest income from a savings bank account.
    a. Interest from savings bank account should be first included in other source income and deduction can be claimed of the total interest earned or Rs. 10,000, whichever is less. This deduction is allowed to an individual or HUF and it can be claimed for interest on deposits in savings account with a bank, co-operative society or post office.
    b. Section 80TTA deduction is not available on interest income from fixed deposits or recurring deposits or interest income from corporate bonds.
5. Various Deductions under Section 80GG: Deduction is allowed for House Rent Paid where HRA is not received as a salary head. Condition to claim this deduction are as below:
    a. Taxpayer or his spouse or minor child should not own residential accommodation at the place of employment.
    b. Taxpayer should not have self-occupied residential property in any other place.
    c. Taxpayer must be living on rent and paying rent.
    d. Deduction can be claimed minimum of:
        i. Rent paid minus 10% of total income
        ii. Rs. 2000/- per month

    iii. 25% of total income

6. Various Deduction under section 80EE: This Deduction is allowed on Home Loan Interest for First Time Home Owners. This section was revived in Budget 2016 and is applicable starting FY 2016-17.
7. The deduction under this section is available only to an Individual who is a first time home owner. The conditions to claim this deduction are as below:
    a. The value of the property purchased must be less than Rs. 50 Lakhs and home loan must be less than Rs. 35 lakhs.
    b. The Loan must be taken from a financial institution and must be sanctioned between 01.04.2016 to 31.03.2017. Under this section, an additional deduction of Rs. 50,000 can be claimed on home loan interest.
    c. This is in addition to deduction of Rs. 2,00,000 allowed under section 24 of the income tax act for a self-occupied house property. There is no restriction on the number of years for which this deduction can be claimed.
8. Various Deductions under section 80CCG: This deduction is allowed for Rajiv Gandhi Equity Saving Scheme (RGESS) which was launched in the year 2012. Investors whose gross total income is less than Rs. 12 lakhs can invest in this scheme. Upon fulfilment of conditions laid down in the section, the deduction is allowed upto 50% of amount invested in equity shares or Rs. 25,000, whichever is lower.
9. Various Deductions under section 80D
10. This deduction is allowed for premium paid for Medical Insurance. This deduction is available up to Rs. 25,000/- to a taxpayer for insurance of self, spouse and dependent children. If individual or spouse is more than 60 years old the deduction available is Rs. 30,000.
    a. An additional deduction for insurance of parents (father or mother or both) is available to the extent of Rs. 25,000/- if less than 60 years old and Rs. 30,000 if parents are more than 60 years old. Therefore, the maximum deduction available under this section is to the extent of Rs. 60,000/-. Within the existing limit a deduction of up to Rs. 5,000 for preventive health check-up is also available.
    b. For uninsured super senior citizens (more than 80 years old) medical expenditure incurred up to Rs. 30,000 shall be allowed as a deduction under section 80D. However, total deduction for health insurance premium and medical expenses for parents shall be limited to Rs. 30,000.
11. Various Deductions under section 80DD

12. This deduction is allowed for Rehabilitation of Handicapped Dependent Relative. Deduction is available on:
    a. Expenditure incurred on medical treatment, (including nursing), training and rehabilitation of handicapped dependent relative
    b. Payment or deposit to specified scheme for maintenance of dependent handicapped relative.

    Where disability is 40% or more but less than 80% a fixed deduction of Rs. 75,000 is allowed.

    Where there is severe disability (disability is 80% or more) a fixed deduction of Rs. 1,25,000 is allowed. To claim the deduction a certificate of disability is required from prescribed medical authority.

    Note: A person with 'severe disability' means a person with 80% or more of one or more disabilities as outlined in section 56(4) of the 'Persons with disabilities (Equal opportunities, protection of rights and full participation)' Act.
    c. The Certificate can be taken from a Specialist as specified.
    d. Patients getting treated in a private hospital are not required to take the certificate from a government hospital.
    e. Patients receiving treatment in a government hospital have to take certificate from any specialist working full-time in that hospital. Such specialist must have a post-graduate degree in General or Internal Medicine or any equivalent degree, which is recognised by the Medical Council of India.
    f. Certificate in Form 10I is no longer required. The certificate must have - name and age of the patient, name of the disease or ailment, name, address, registration number and the qualification of the specialist issuing the prescription. If the patient is receiving the treatment in a Government hospital, it should also have name and address of the Government hospital.
13. Various Deductions under section 80DDB: The deduction for Medical Expenditure on Self or Dependent Relative is allowed under this section. A deduction of Rs. 40,000/- or the amount actually paid, whichever is less is available for expenditure actually incurred by taxpayer on himself or dependent relative for medical treatment of specified disease or ailment can be claimed.
    a. The diseases for the claim of expenditure have been specified in Rule 11DD. A certificate in form 10I is to be furnished by the taxpayer from any Registered Doctor.

    b. In case of senior citizens the deduction can be claimed up to Rs. 60,000 or amount actually paid, whichever is less. In case of very senior citizens Rs. 80,000 is the maximum deduction that can be claimed.

14. Various Deductions under section 80U: This deduction is allowed for Person suffering from Physical Disability. A deduction of Rs. 75,000 is allowed for an individual who suffers from physical disability (including blindness) or mental retardation.
    a. In case of severe disability, deduction of Rs. 1,25,000 can be claimed. A Certificate should be obtained from a Govt. Doctor as specified in Rule 11D. This is a fixed deduction and not based on bills or expenses.
15. Various Deduction under section 80G
16. The deduction claimed for donations towards Social Causes is under this section. The various donations specified in Sec. 80G are eligible for deduction up to either 100% or 50% with or without restriction as provided in Sec. 80G. Sec. 80G deduction is not applicable in case donation is done in form of cash for amount over Rs. 10,000.

    Donations with 100% deduction without any qualifying limit:
    - National Defence Fund set up by the Central Government
    - Prime Minister's National Relief Fund
    - National Foundation for Communal Harmony
    - An approved university/educational institution of National eminence
    - Zila Saksharta Samiti constituted in any district under the chairmanship of the Collector of that district
    - Fund set up by a State Government for the medical relief to the poor
    - National Illness Assistance Fund
    - National Blood Transfusion Council or to any State Blood Transfusion Council
    - National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities
    - National Sports Fund
    - National Cultural Fund
    - Fund for Technology Development and Application
    - National Children's Fund
    - Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund with respect to any State or Union Territory

- The Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund, Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996
- The Maharashtra Chief Minister's Relief Fund during October 1, 1993 and October 6,1993
- Chief Minister's Earthquake Relief Fund, Maharashtra
- Any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat
- Any trust, institution or fund to which Section 80G(5C) applies for providing relief to the victims of earthquake in Gujarat (contribution made during January 26, 2001 and September 30, 2001) or
- Prime Minister's Armenia Earthquake Relief Fund
- Africa (Public Contributions — India) Fund
- Swachh Bharat Kosh (applicable from financial year 2014-15)
- Clean Ganga Fund (applicable from financial year 2014-15)
- National Fund for Control of Drug Abuse (applicable from financial year 2015-16)

Donations with 50% deduction without any qualifying limit:

- Jawaharlal Nehru Memorial Fund
- Prime Minister's Drought Relief Fund
- Indira Gandhi Memorial Trust
- The Rajiv Gandhi Foundation

Donations eligible for 100% deduction subject to 10% of adjusted gross total income

- Government or any approved local authority, institution or association to be utilised for the purpose of promoting family planning
- Donation by a Company to the Indian Olympic Association or to any other notified association or institution established in India for the development of infrastructure for sports and games in India or the sponsorship of sports and games in India.

Donations eligible for 50% deduction subject to 10% of adjusted gross total income:

- Any other fund or any institution which satisfies conditions mentioned in Section 80G(5)

- Government or any local authority to be utilised for any charitable purpose other than the purpose of promoting family planning
- Any authority constituted in India for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns, villages or both
- Any corporation referred in Section 10(26BB) for promoting interest of minority community
- For repairs or renovation of any notified temple, mosque, gurudwara, church or other place.

17. Various Deductions under section 80GGC: This Deduction is claimed on contributions given by any person to Political Parties. This is allowed to a taxpayer for any amount contributed to any political party or an electoral trust and allowed for contribution done by any way other than cash. Political party means any political party registered under section 29A of the Representation of the People Act.
18. Various Deductions under section 80RRB: This deduction is with respect to any Income by way of Royalty of a Patent. Deduction on any income by way of royalty for a patent registered on or after 01.04.2003 under the Patents Act 1970 shall be available up to Rs. 3 lakhs or the income received, whichever is less. The taxpayer must be an individual resident of India who is a patentee. The taxpayer must furnish a certificate in the prescribed form duly signed by the prescribed authority.