

## **DEDUCTIONS**

There are various deductions a taxpayer can claim from his total income which would bring down his taxable income and thereby reduce his tax outgo. Discussed in this article are some of the important deductions under Section 80C a taxpayer is eligible to claim.

### **Section 80C**

#### **Deductions on Investments**

Under section 80C, a deduction of Rs 1,50,000 can be claimed from your total income. In simple terms, you can reduce up to Rs 1,50,000 from your total taxable income through section 80C. This deduction is allowed to an Individual or a HUF. A maximum of Rs 1, 50,000 can be claimed for the FY 2018-19, 2017-18 and FY 2016-17 each.

If you have paid excess taxes, but have invested in LIC, PPF, Mediclaim, incurred towards tuition fees etc. and have missed claiming a deduction of the same under 80C, you can file your Income Tax Return, claim these deductions and get a refund of excess taxes paid.

### **Section 80CCC**

#### **Deduction for Premium Paid for Annuity Plan of LIC or Other Insurer**

This section provides a deduction 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 a pension from a fund referred to in Section 10(23AAB). Pension received from the annuity or amount received upon surrender of the annuity, including interest or bonus accrued on the annuity, is taxable in the year of receipt.

# Section 80CCD

## Deduction for Contribution to Pension Account

**a. Employee's contribution – Section 80CCD (1)** is allowed to an individual who makes deposits to his/her pension account. Maximum deduction allowed is 10% of salary (in case the taxpayer is an employee) or 20% of gross total income (in case the taxpayer being self-employed) or Rs 1, 50,000, whichever is less.

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**FY 2016-17 and earlier years** – In the case of a self-employed individual, maximum deduction allowed is 10% of gross total income.

**b. Deduction for self-contribution to NPS – section 80CCD (1B)** A new section 80CCD (1B) has been introduced for an **additional deduction** of up to Rs 50,000 for the amount deposited by a taxpayer to their NPS account. Contributions to Atal Pension Yojana are also eligible.

**c. Employer's contribution to NPS – Section 80CCD (2)** **Additional deduction is allowed for employer's contribution to employee's pension account of up to 10% of the salary of the employee. There is no monetary ceiling on this deduction.**

## **Section 80 TTA**

### **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. Interest from savings bank account should be first included in other 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 an HUF. It can be claimed for interest on deposits in savings account with a bank, co-operative society, or post office. Section 80TTA deduction is not available on interest income from fixed deposits, recurring deposits, or interest income from corporate bonds.

## **Section 80GG**

### **Deduction for House Rent Paid Where HRA is not Received**

- a. This deduction is available for rent paid when HRA is not received. The taxpayer, spouse or minor child should not own residential accommodation at the place of employment
- b. The taxpayer should not have self-occupied residential property in any other place
- c. The taxpayer must be living on rent and paying rent
- d. The deduction is available to all individuals

## **Deduction available is the least of the following:**

- a. Rent paid minus 10% of adjusted total income
- b. Rs 5,000/- per month
- c. 25% of adjusted total income\*

\*Adjusted Gross Total Income is arrived at after adjusting the Gross Total Income for certain deductions, exempt incomes, long-term capital gains and income relating to non-residents and foreign companies. An online e-filing software like that of ClearTax can be extremely easy as the limits are auto-calculated and you do not have to worry about making complex calculations. From FY 2016-17 available deduction has been raised to Rs 5,000 a month from Rs 2,000 per month.

## **Section 80E**

### **Deduction for Interest on Education Loan for Higher Studies**

A deduction is allowed to an individual for interest on loan taken for pursuing higher education. This loan may have been taken for the taxpayer, spouse or children or for a student for whom the taxpayer is a legal guardian. The deduction is available for a maximum of 8 years (beginning the year in which the interest starts getting repaid) or till the entire interest is repaid, whichever is earlier. There is no restriction on the amount that can be claimed.

## **Section 80EE**

### **Deductions on Home Loan Interest for First Time Home Owners**

**FY 2017-18 and FY 2016-17** This deduction is available in FY 2017-18 if the loan has been taken in FY 2016-17. The deduction under this section is available only to an individual who is a first time home-owner. The value of the property purchased must be less than Rs 50 lakh and the home loan must be less than Rs 35 lakh. The loan must be taken from a financial institution and must have been sanctioned between 01 April 2016 to 31 March 2017. Through this section, an additional deduction of Rs 50,000 can be claimed on home loan interest. 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.

**FY 2013-14 and FY 2014-15** This section provides a deduction on the home loan interest paid. The deduction under this section is available only to individuals for the first house purchased where the value of the house is Rs 40 lakh or less and the loan taken for the house is Rs 25 lakh or less. The loan must be sanctioned between 01 April 2013 to 31 March 2014. The aggregate deduction allowed under this section cannot exceed Rs 1,00,000 and is allowed for FY 2013-14 and FY 2014-15.

## **Section 80D**

### **Deduction for the premium paid for Medical Insurance**

Deduction under this section is available to an individual or a HUF. A deduction of Rs. 25,000 can be claimed for insurance of self, spouse and dependent children. An additional deduction for insurance of parents is available to the extent of Rs 25,000 if they are less than 60 years of age or Rs 50,000 (has been increased in Budget 2018 from Rs 30,000) if parents are more than 60 years old. In case, a taxpayers age and parents age is 60 years or above, the maximum deduction available under this section is to the extent

of Rs. 100,000. Example: Rohan's age is 65 and his father's age is 90. In this case, the maximum deduction Rohan can claim under section 80D is Rs. 100,000. From FY 2015-16 a cumulative additional deduction of Rs. 5,000 is allowed for the preventive health check up to individuals.

## **Section 80DD**

### **Deduction for Rehabilitation of Handicapped Dependent Relative**

This deduction is available to a resident individual or a HUF and 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.

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

ii. Where there is severe disability (disability is 80% or more) – fixed deduction of Rs 1,25,000.

To claim this deduction a certificate of disability is required from prescribed medical authority. From FY 2015-16 – The deduction limit of Rs 50,000 has been raised to Rs 75,000 and Rs 1,00,000 has been raised to Rs 1,25,000.

## **Section 80DDB**

### **Deduction for Medical Expenditure on Self or Dependent Relative**

This deduction is available to a resident individual or a HUF. The deduction that can be claimed is Rs 40,000. Such deduction, for an individual, is available in respect of any expenses incurred towards treatment of certain specified medical diseases or ailments for himself or any of his dependents. For a HUF, such deduction is available in respect of medical expenses

incurred towards these prescribed ailments, for any of the members of the HUF.

In case the individual on behalf of whom such expenses are incurred is a senior citizen, a deduction upto Rs 1 lakh can be claimed by the individual or HUF taxpayer. Earlier i.e. until FY 2017-18, the deduction that could be claimed for a senior citizen and a super senior citizen was Rs 60,000 and Rs 80,000 respectively. This otherwise means, now it is a common deduction available upto Rs 1 lakh for all senior citizens (including super senior citizens) unlike earlier.

Any reimbursement of medical expenses by an insurer or employer shall be reduced from the quantum of deduction the taxpayer can claim under this section.

Also remember that you need get a prescription for such medical treatment from the concerned specialist in order to be able to claim such deduction. Read our detailed article on Section 80DDB.

## **Section 80U**

### **Deduction for Person suffering from Physical Disability**

A deduction of Rs. 75,000 is available to a resident individual who suffers from a physical disability (including blindness) or mental retardation. In case of severe disability, deduction of Rs. 1,25,000 can be claimed. From FY 2015-16 – The deduction limit of Rs 50,000 has been raised to Rs 75,000 and Rs 1,00,000 has been raised to Rs 1,25,000.

## **Section 80G**

### **Deduction for donations towards Social Causes**

The various donations specified in u/s 80G are eligible for deduction up to either 100% or 50% with or without restriction as provided in section 80G. From FY 2017-18 any donations made in cash exceeding Rs 2,000 will

not be allowed as deduction. The donations above Rs 2000 should be made in any mode other than cash to qualify as deduction u/s 80G.

***a. 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)



***b. 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

***c. Donations to the following are eligible for 100% deduction subject to 10% of adjusted gross total income***

- Government or any approved local authority, institution or association to be utilized 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

***d. Donations to the following are 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 utilized 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