

receipt of a salary from the Government, a sum equal to one-fifth of his salary(exclusive of any allowance, benefit or other perquisite) or five thousand rupees whichever is less.

5.4.3 Tax on Employment [Section 16(iii)]:

The tax on employment (Professional Tax) within the meaning of article 276(2) of the Constitution of India, leviable by or under any law, shall also be allowed as a deduction in computing the income under the head "Salaries".

5.5 Deductions Under Chapter VI-A of the Act

In computing the taxable income of the employee, the following deductions under Chapter VI-A of the Act are to be allowed from his gross total income:

5.5.1 Deduction in respect of Life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. (section 80C)

A. Section 80C, entitles an employee to deductions for the whole of amounts paid or deposited in the current financial year in the following schemes, subject to a limit of Rs.1,50,000/-:

- (1) Payment of insurance premium to effect or to keep in force an insurance on the life of the individual, the spouse or any child of the individual or a HUF.
- (2) Any payment made to effect or to keep in force a contract for a deferred annuity, not being an annuity plan as is referred to in item (7) herein below on the life of the individual, the spouse or any child of the individual, provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;
- (3) Any sum deducted from the salary payable by, or, on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service for the purpose of securing to him a deferred annuity or making provision for his spouse or children, in so far as the sum deducted does not exceed 1/5th of the salary;
- (4) Any contribution made:
 - (a) by an individual to any **Provident Fund** to which the Provident Fund Act, 1925 applies;
 - (b) to any provident fund set up by the Central Government, and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the

name of an individual, or spouse or children;

[The Central Government has since notified Public Provident Fund vide Notification S.O. No. 1559(E) dated 3.11.05]

(c) by an employee to a Recognized Provident Fund;

(d) by an employee to an approved superannuation fund;

It may be noted that "contribution" to any Fund shall not include any sums in repayment of loan or advance;

(5) Any sum paid or deposited during the year as a subscription:-

(a) in the name of employee or a girl child of that employee including a girl child for whom the employee is the legal guardian in any such security of the Central Government or any such deposit scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf;

[The Central Government has since notified the scheme "Sukanya Samridhhi Account" vide Notification GSR No. 863(E) dated 02.12.2014]

(b) to any such saving certificates as defined under section 2(c) of the Government Saving Certificate Act, 1959 as the Government may, by notification in the Official Gazette, specify in this behalf.

[The Central Government has since notified National Saving Certificate (VIIIth Issue) vide Notification S.O. No. 1560(E) dated 3.11.05 and National Saving Certificate (IXth Issue) vide Notification . G.S.R. 848 (E), dated the 29th November, 2011, publishing the National Savings Certificates (IX- Issue) Rules, 2011 G.S.R. 868 (E), dated the 7th December, 2011, specifying the National Savings Certificates IX Issue as the class of Savings Certificates F No1-13/2011-NS-II r/w amendment Notification No.GSR 319(E), dated 25-4-2012]

(6) Any sum paid as contribution in the case of an individual, for himself, spouse or any child,
a. for participation in the Unit Linked Insurance Plan, 1971 of the Unit Trust of India;
b. for participation in any unit-linked insurance plan of the LIC Mutual Fund referred to section 10 (23D) and as notified by the Central Government.

[The Central Government has since notified Unit Linked Insurance Plan (formerly known as Dhanraksha, 1989) of LIC Mutual Fund vide Notification S.O. No. 1561(E) dated 3.11.05.]

(7) Any subscription made to effect or keep in force a contract for such annuity plan of the Life Insurance Corporation or any other insurer as the Central Government may, by notification in the Official Gazette, specify;

[The Central Government has since notified New Jeevan Dhara. New Jeevan Dhara-I, New52 Jeevan Akshay, New Jeevan Akshay-I and New Jeevan Akshay-II vide Notification S.O. No. 1562(E) dated 3.11.05, Jeevan Akshay-III vide Notification S.O. No. 847(E) dated 1.6.2006, Jeevan Akshay-VI vide Notification S.O. No. 1184(E) dated 19.05.2010 and Jeevan Akshay-VII vide Notification S.O. No. 5056(E) dated 06.12.2021]

(8) Any subscription made to any units of any Mutual Fund, of section 10(23D), or from the Administrator or the specified company referred to in Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002 under any plan formulated in accordance with any scheme as the Central Government, may, by notification in the Official Gazette, specify in this behalf; [The Central Government has since notified the Equity Linked Saving Scheme, 2005 for this purpose vide Notification S.O. No. 1563(E) dated 3.11.2005]

The investments made after 1.4.2006 in plans formulated in accordance with Equity Linked Saving Scheme, 1992 or Equity Linked Saving Scheme, 1998 shall also qualify for deduction under section 80C.

(9) Any contribution made by an individual to any pension fund set up by any Mutual Fund referred to in section 10(23D), or, by the Administrator or the specified company defined in Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

[The Central Government has since notified the Equity Linked Saving Scheme, 2005 for this purpose vide Notification S.O. No. 1563(E) dated 3.11.2005]

(10) Any subscription made to any such deposit scheme of, or, any contribution made to any such pension fund set up by, the National Housing Bank, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(11) Any subscription made to any such deposit scheme, as the Central Government may, by notification in the Official Gazette, specify for the purpose of being floated by (a) public sector companies engaged in providing long-term finance for construction or purchase of houses in India for residential purposes, or, (b) any authority constituted in India by, or, under any law, enacted either 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 and villages, or for both.

[The Central Government has since notified the Public Deposit Scheme of HUDCO vide Notification S.O. No.37(E), dated 11.01.2007, for the purposes of Section 80C(2)(xvi)(a)].

(12) Any sums paid by an assessee for the purpose of purchase or construction of a residential

house property, the income from which is chargeable to tax under the head "Income from house property" (or which would, if it has not been used for assessee's own residence, have been chargeable to tax under that head) where such payments are made towards or by way of any installment or part payment of the amount due under any self- financing or other scheme of any Development Authority, Housing Board or other authority engaged in the construction and sale of house property on ownership basis.

The deduction is allowable on any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of house property allotted to him.

The deduction will also be allowable in respect of re-payment of loans borrowed by an assessee from the Central Government or any State Government, or any bank, including a cooperative bank, or Life Insurance Corporation, or National Housing Bank, or certain other categories of institutions engaged in the business of providing long term finance for construction or purchase of houses in India. Any repayment of loan borrowed from the employer will also be covered, if the employer happens to be a public company, or a public sector company, or a university established by law, or a college affiliated to such university, or a local authority, or a cooperative society, or an authority, or a board, or a corporation, or any other body established under a Central or State Act.

Payment towards the purchase of house property shall include the stamp duty, registration fee and other expenses but shall not cover admission fee or cost of share or initial deposit or the cost of any addition or alteration to, or, renovation or repair of the house property which is carried out after the issue of the completion certificate by competent authority, or after the occupation of the house by the assessee or after it has been let out. Payments towards any expenditure in respect of which the deduction is allowable under the provisions of section 24 of the Act will also not be included in payments towards the cost of purchase or construction of a house property.

Where the house property in respect of which deduction has been allowed under these provisions is transferred by the tax-payer at any time before the expiry of five years from the end of the financial year in which possession of such property is obtained by him or he/she receives back, by way of refund or otherwise, any sum specified in section 80C(2)(xviii), no deduction under these provisions shall be allowed in respect of such sums paid in such previous year in which the transfer is made and the aggregate amount of deductions of income so allowed in the earlier years shall be added to the total income of the assessee of such previous year and shall be liable to tax accordingly.

(13) Tuition fees, except payment in the nature of development fees or donation or payment of similar nature, whether at the time of admission or thereafter, paid to any university, college, school or other educational institution situated in India, for the purpose of full-time education of any two children of the employee.

(14) Subscription to equity shares or debentures forming part of any eligible issue of capital made by a public company, which is approved by the Board or by any public finance institution.

(15) Subscription to any units of any mutual fund referred to in clause (23D) of Section 10 and approved by the Board, if the amount of subscription to such units is subscribed only in eligible issue of capital of any company.

(16) Investment as a term deposit for a fixed period of not less than five years with a scheduled bank, which is in accordance with a scheme framed and notified by the Central Government, in the Official Gazette for these purposes.

[The Central Government has since notified the Bank Term Deposit Scheme, 2006 for this purpose vide Notification S.O. No. 1220(E) dated 28.7.2006]

(17) Subscription to such bonds issued by the National Bank for Agriculture and Rural Development, as the Central Government may, by such notification in the Official Gazette, specify in this behalf.

(18) Any investment in an account under the Senior Citizens Savings Scheme Rules, 2004.

(19) Any investment as five year time deposit in an account under the Post Office Time Deposit Rules, 1981.

(20) Any contribution by employee of the Central Government to a specified account of the pension scheme referred to in section 80CCD —

(a) for a fixed period of not less than three years; and

(b) which is in accordance with the scheme as may be notified by the Central Government in the Official Gazette for the purposes of this clause.

Explanation.—For the purposes of this clause, "specified account" means an additional account referred to in sub-section (3) of section 20 of the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013).

B. Section 80C(3) & 80C(3A) states that in case of Insurance Policy other than contract for a deferred annuity the amount of any premium or other payment made is restricted to:

Policy issued before 1 st April 2012	20% of the actual capital sum Assured
Policy issued on or after 1 st April 2012	10% of the actual capital sum Assured
Policy issued on or after 1 st April 2013 * - In cases of persons with disability or person with severe disability as per Sec 80 U or suffering from disease or ailment as specified in rules made under Sec 80DDB	15% of the actual capital sum assured

*Introduced by Finance Act 2013

Actual capital sum assured in relation to a life insurance policy means the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account –

- i. the value of any premium agreed to be returned, or
- ii. any benefit by way of bonus or otherwise over and above the sum actually assured which may be received under the policy by any person.

5.5.2 Deduction in respect of contribution to certain pension funds (Section 80CCC)

Section 80CCC allows an employee deduction of an amount paid or deposited out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from the Fund referred to in section 10(23AAB). However, the deduction shall exclude interest or bonus accrued or credited to the employee's account, if any and shall not exceed Rs. 1,50,000. However, if any amount is standing to the credit of the employee in the fund referred to above and deduction has been allowed as stated above and the employee or his nominee receives this amount together with the interest or bonus accrued or credited to this account due to the reason of

- (i) Surrender of annuity plan whether in whole or part
- (ii) Pension received from the annuity plan

then the amount so received during the Financial Year shall be the income of the employee or his nominee for that Financial Year and accordingly will be charged to tax.

Where any amount paid or deposited by the employee has been taken into account for the purposes of this section, a deduction with reference to such amount shall not be allowed under

section 80C.

5.5.3 Deduction in respect of contribution to pension scheme of Central Government (Section 80CCD):

Section 80CCD(1) allows an employee, being an individual employed by the Central Government on or after 01.01.2004 or being an individual employed by any other employer, or any other assessee being an individual, a deduction of an amount paid or deposited out of his income chargeable to tax under a pension scheme as notified vide Notification F. N. 5/7/2003- ECB&PR dated 22.12.2003 National Pension System-NPS or as may be notified by the Central Government. However, the deduction shall not exceed an amount equal to 10% of his salary (includes Dearness Allowance but excludes all other allowance and perquisites) in the case of an employee and 20% of his gross total income in any other case.

As per section 80CCD(1B), an assessee referred to in 80CCD(1) shall be allowed a deduction in computation of his income, of the whole of the amount paid or deposited in the previous year in his account under the pension scheme notified or as may be notified by the Central Government, which shall not exceed Rs. 50,000. The deduction of Rs. 50,000 shall be allowed whether or not any deduction is allowed under sub-section(1). However, the same amount cannot be claimed both under sub-section (1) and sub-section (1B) of section 80CCD.

As per Section 80CCD(2), where any contribution in the said pension scheme is made by the Central Government or the State Government or any other employer then the employee shall be allowed a deduction from his total income of the whole amount contributed by the Central Government or any other employer subject to limit of 14% if the amount is contributed by the Central Government or the State Government of his salary, and 10% in case of contribution by any other employer. The provisions with respect to the employer being “State Government” is effective retrospectively from the 1st day of April, 2020 and accordingly, applies in relation to the assessment year 2020-2021 and subsequent assessment years so as to ensure no additional tax liability arises on any contribution made in excess of 14% during such time.

As per Section 80CCD(3), any amount standing to the credit of the assessee in his account referred to in sub-section (1) or sub-section (1B), in respect of which a deduction has been allowed under those sub-sections or sub-section (2), together with the amount accrued thereon, if any, is received by the assessee or his nominee, in whole or in part, on account of closure or his opting out of the pension scheme or as pension received from the annuity plan purchased

or taken on such closure or opting out, the whole of the amount shall be deemed to be income of assessee or his nominee in that previous year and accordingly charged to tax in the said assessment year relevant to the said previous year.

As per Section 80CCD(4), any amount paid or deposited by the assessee has been allowed as a deduction under sub-section (1) or sub-section (1B), no rebate with reference to such amount shall be allowed under section 88 for any assessment year ending before 01.04.2006 and no deduction with reference to such amount shall be allowed under section 80C for any A.Y. beginning on or after 01.04.2006.

As per Section 80CCD(5), the assessee shall be deemed not to have received any amount in the previous year if such amount is used for purchasing an annuity plan in the same previous year.

Subject to provisions of section 10 (12A) and section 10 (12B) as discussed in para 5.3.7, if any amount is standing to the credit of the employee in the pension scheme referred above and deduction has been allowed as stated above, and the employee or his nominee receives this amount together with the amount accrued thereon, due to the reason of

- (i) Closure or opting out of the pension scheme, or
- (ii) Pension received from the annuity plan purchased and taken on such closure or opting out,

then the amount so received during the FYs shall be the income of the employee or his nominee for that Financial Year and accordingly will be charged to tax.

Further, the amount received by the nominee, on the death of the assessee, on closure or opening of the pension not be deemed to be the income of the nominee. Where any amount paid or deposited by the employee has been taken into account for the purposes of this section, a deduction with reference to such amount shall not be allowed under section 80C.

Further, it has been specified that w.e.f 01.04.09 any amount received by the employee from the New Pension Scheme shall be deemed not to have been received in the previous year if such amount is used for purchasing an annuity plan in the same previous year.

It is emphasized that as per the section 80CCE the aggregate amount of deduction under sections 80C, 80CCC and Section 80CCD(1) shall not exceed Rs.1,50,000/-. The deduction allowed under section 80 CCD(1B) is an additional deduction in respect of any amount paid in the NPS upto Rs. 50,000/-. However, the contribution made by the Central Government or any other employer to a pension scheme u/s 80CCD(2) shall be excluded from the limit of Rs.

1,50,000/- provided under this section.

5.5.4 Deduction in respect of health insurance premia paid, etc. (Section 80D)

Particulars	Case-1		Case-2		Case-3	
	Self & Family (<i>no one of them is a senior citizen</i>)	Parents (no one of them is a senior citizen)	Self & Family (no one of them is a senior citizen)	Parents (atleast one of them is a senior citizen)	Self & Family (atleast one of them is a senior citizen)	Parents (atleast one of them is a senior citizen)
Medical Insurance, etc.*	25,000	25,000	25,000	50,000	50,000	50,000
Medical Expenditure**	--	--	--	50,000	50,000	50,000
Maximum deduction allowable	25,000	25,000	25,000	50,000	50,000	50,000
Aggregate amount of deduction allowable under section 80D	50,000		75,000		1,00,000	

* Includes (i) contribution to the Central Government health Scheme/notified scheme for self & family; and (ii) amount paid for preventive health check-up up to Rs. 5,000/-.

** Allowable only if no amount is paid for medical insurance.

Note 1 : The payment for preventive health check-up can be made either in cash or in any other mode, whereas payment other than preventive health checkup can be made only in non-cash mode.

Note 2 : Finance Act, 2018 amended section 80D of the Act to provide that in case of single premium health insurance policy having cover of more than one year, the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the monetary limits specified above.

Here

- i) "family" means the spouse and dependent children of the employee.
- ii) "Senior citizen" means an individual resident in India who is of the age of sixty years or more at any time during the relevant previous year.

1. The DDO must ensure that the medical 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 (Nationalization) Act, 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.

2. Lump sum payment of health insurance premium.

In case, a lump sum amount is paid to effect or to keep in force an insurance on health for more than a year, proportionate deduction (appropriate fraction) will be allowable for the year in which it was paid and for subsequent year/years in accordance with sub-section (4A) of Section 80D.

5.5.5 Deductions in respect of expenditure on persons or dependents with disability

a) Deductions in respect of maintenance including medical treatment of a dependent who is a person with disability (section 80DD):

Under section 80DD, where an employee, 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 dependent, being a person with disability, the employee shall be allowed a deduction of a sum of Rs 75,000/- from his gross total income of that year.

However, where such dependent is a person with severe disability, an amount Rs 1,25,000/- shall be allowed as deduction subject to the specified conditions.

The deduction under (b) above was earlier to be allowed only if the following condition was fulfilled:

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

With effect from 01.04.2022, the provision has been amended and allows for the deduction on satisfaction of either of the conditions (i) or(ii) mentioned in subclause (a) of clause 2 of section 80DD. The same is as under:

(a) the scheme referred to in clause (b) of sub-section (1) provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability,—

(i) in the event of the death of the individual or the member of the Hindu undivided family in whose name subscription to the scheme has been made; or

(ii) on attaining the age of sixty years or more by such individual or the member of the Hindu undivided family, and the payment or deposit to such scheme has been discontinued;

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

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

The assessee, claiming a deduction 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 the assessment year in which the deduction is claimed. However, no deduction shall be allowed for any assessment year relating to any previous year beginning after the expiry of the previous year during which the said certificate of disability had expired, unless a new certificate in the prescribed form and manner, is obtained.

b. Deductions in respect of a person with disability (section 80U)

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 Rs 75,000/-. However, where such individual is a person with severe disability, a higher deduction of Rs 1,25,000/- shall be allowable.

DDOs should note that 80DD deduction is in case of the dependent of the employee whereas 80U deduction is in case of the employee himself. However, under both the sections, the employee shall furnish to the DDO the following:

1. A copy of the certificate issued by the medical authority as defined in Rule 11A(1) in the prescribed form as per Rule 11A(2) of the Rules. The DDO has to allow deduction only after seeing that the Certificate furnished is from the Medical Authority defined in

this Rule and the same is in the form as mentioned therein.

2. Further in cases where the condition of disability is temporary and 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 as in 1 above and furnished before the DDO.
3. For the purposes of sections 80DD and 80 U some of the terms defined are as under:-
 - (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 ;
 - (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, dependent 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 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;
 - (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 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;
 - (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 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;

(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; 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;

(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.

5.5.6 Deduction in respect of medical treatment, etc. (Section 80DDB):

Section **80DDB** allows a deduction in case of employee, who is resident in India, during the previous year, of any amount actually paid for the medical treatment of such disease or ailment as may be specified in the rules 11DD (1) for himself or a dependent. The deduction allowed is equal to the amount actually paid is in respect of the employee or his dependent or Rs. 40,000 whichever is less.

Now the deduction can be allowed on the basis of a prescription from an oncologist, a urologist, nephrologist, a hematologist, an immunologist or such other specialist, as mentioned in Rule 11DD. However, the amount of the claim shall be reduced by the amount if any received from the insurer or reimbursed by the employer. Further in case of the person against whom such claim is made is a senior citizen (60 age years or more) then the deduction up to one lakh rupees is allowed

For the purpose of this section, in the case of an employee, "dependent" means individual, the spouse, children, parents, brothers and sisters of the employee or any of them, dependent wholly or mainly on the employee for his support and maintenance.

Vide Notification SO No. 2791(E) dated 12.10.2015, Rules 11DD has been amended to do away with the requirement of furnishing a certificate in Form 10-I. A prescription from a specialist as specified in the Rules containing the name and age the patient, name of the disease/ailment along with the name, address, registration number & qualification of the specialist issuing the prescription would now be required.

5.5.7 Deduction in respect of interest on loan taken for higher education (Section 80E):

Section 80E allows deduction in respect of payment of interest on loan taken from any financial institution or any approved charitable institution for higher education for the purpose of pursuing his higher education or for the purpose of higher education of his spouse or his children or the student for whom he/she is the legal guardian.

The deduction shall be allowed in computing the total income for the Financial Year in which the employee starts paying the interest on the loan taken and immediately succeeding seven Financial years or until the Financial year in which the interest is paid in full by the employee, whichever is earlier.

For the purpose of this section -

- (a) "approved charitable institution" means an institution established for charitable purposes and approved by the prescribed authority section 10(23C), or an institution referred to in section 80G(2)(a);
- (b) "financial institution" means a banking company to which the Banking Regulation Act, 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 recognized by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so;

5.5.8 Deduction in respect of interest on loan taken for certain house property (Section 80EEA):

Section 80EEA introduced by the Finance (No.2) Act, 2019 (No. 23 of 2019), allows deduction from gross total income of an individual (not eligible to claim deduction under section 80EE) in respect of the interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property if following conditions are met:-

- (i) the loan has been sanctioned by the financial institution during the period beginning on the 1st day of April, 2019 and ending on the 31st day of March, 2021;
- (ii) the stamp duty value of residential house property does not exceed forty-five lakh rupees;
- (iii) the assessee does not own any residential house property on the date of sanction of loan.

For the purposes of this section,—

- (a) the expression "financial institution" shall have the meaning assigned to it in clause (a) of sub-section (5) of section 80EE;

(b) the expression "stamp duty value" means value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.

The amount of this deduction shall not exceed Rs. 1,50,000/- and it shall be allowed in computing the total income of the individual for the assessment year 2020-21 and subsequent assessment years.

Where a deduction under this section is allowed for any interest referred to in this section, no deduction shall be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

5.5.9 Deduction in respect of the interest payable on loan taken for the purpose of purchase of an electric vehicle (80EEB)

Section 80EEB introduced by the Finance (No.2) Act, 2019 (No. 23 of 2019), allows deduction from gross total income of an individual in respect of the interest payable on loan taken by him from any financial institution for the purpose of purchase of an electric vehicle if the loan has been sanctioned by the financial institution during the period from 01.04.2019 to 31.03.2023.

For the purposes of this section,—

(a) "electric vehicle" means a vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy;

(b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies, or any bank or banking institution referred to in section 51 of that Act and includes any deposit taking non-banking financial company or a systemically important non-deposit taking non-banking financial company as defined in clauses (e) and (g) of Explanation 4 to section 43B.

The amount of this deduction shall not exceed Rs. 1,50,000/- and it shall be allowed in computing the total income of the individual for the assessment year 2020-21 and subsequent assessment years.

Where a deduction under this section is allowed for any interest referred to in this section, no deduction shall be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

5.5.10 Deductions on respect of donations to certain funds, charitable institutions,

etc. (Section 80G):

Section 80G provides for deductions on account of donation made to various funds, charitable organizations etc. 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.

No deduction under this section is allowable in case the amount of donation exceeds Rs 2000/- unless the amount is paid by any mode other than cash.

5.5.11 Deductions in respect of rents paid (Section 80GG):

Section 80GG allows the employee 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 employee 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 employee files the declaration in Form No.10BA. (**Annexure X**)
- (c) The employee does not own:
 - (i) any residential accommodation himself or by his spouse or minor child or where such employee is a member of a Hindu Undivided Family, by such family, at the place where he/she ordinarily resides or performs duties of his office or carries on his business or profession; or
 - (ii) at any other place, any residential accommodation which is in the occupation of the employee, the value of which is to be determined under section 23(2)(a) or section 23(4)(a), as the case may be.
- (d) He will be entitled to a deduction in respect of house rent paid by him in excess of 10% of his total income. The deduction shall be equal to 25% of total income or Rs. 5,000/- per month, whichever is less. The total income for working out these percentages will be computed before making any deduction under section 80GG.

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 employee. They should also satisfy themselves in this regard by insisting on production of evidence of actual payment of rent.

5.5.12 Deductions in respect of certain donations for scientific research or rural development (Section 80 GGA):

Section 80GGA allows deduction from total income of employee in respect of donations of any sum as given in the Table below:

Sl No	Donations made to persons	Approval / Notification under Section	Authority granting approval/Notification
1.	A research association which has as its object the undertaking of scientific research or to a university, college or other institution to be used for scientific research	u/s 35(1)(ii)	Central Government
2.	A research association which has as its object the undertaking of research in social science or statistical research or to a university, college or other institution to be used for research in social science or statistical research	u/s 35(1)(iii)	Central Government
3.	An association or institution, which has as its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural development approved for the purposes of <u>section 35CCA</u>	furnishes the certificate u/s 35CCA (2)	Prescribed Authority under Rule 6AAA
4.	An association or institution which has as its object the training of persons for implementing programmes of rural development.	furnishes the certificate u/s 35CCA (2A)	Prescribed Authority under Rule 6AAA
5.	A public sector company or a local authority or to an association or institution approved by the National Committee, for carrying out any eligible project or scheme.	furnishes the certificate u/s 35AC(2)(a)	National Committee for Promotion of Social & Economic Welfare
6.	An association or institution, which has as its object the undertaking of any programme of conservation of natural resources or of afforestation.	Approved for the purposes of section 35CCB.	set up and notified by the Central Government
7.	A fund for afforestation	Notified under clause(b) of sub-section (1) of section 35CCB	set up and notified by the Central Government
8.	A rural development fund	notified u/s 35CCA (1)(c)	set up and notified by the Central Government
9.	National Urban Poverty Eradication Fund	notified u/s 35CCA (1)(d)	set up and notified by the Central Government

No deduction under this section is allowable in case:

- i) The employee has gross total income which includes income which is chargeable under the head "Profits and gains of business or profession".
- ii) The amount of donation exceeds Rs. 2000 unless such sum is paid by any mode other than cash.

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 employee. They should also satisfy themselves in this regard by insisting on production of evidence of

actual payment of donation and a receipt from the person to whom donation has been made and ensure that the approval/notification has been issued by the right authority. DDO must ensure a self-declaration from the employee that he/she has no income from "Profits and gains of business or profession".

5.5.13 Deduction in respect of interest on deposits in savings account (Section 80TTA):

Section 80TTA allows to an employee, not being a senior citizen employee, from his gross total income if it includes any income by way of interest on deposits (not being time deposits) in a savings account, a deduction amounting to:

- (i) in a case where the amount of such income does not exceed in the aggregate ten thousand rupees, the whole of such amount; and
- (ii) in any other case, ten thousand rupees.

The deduction is available if such savings account is maintained in a-

- (a) banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);
- (b) co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or
- (c) Post Office as defined in clause (k) of section 2 of the Indian Post Office Act, 1898.

For this section, "time deposits" means the deposits repayable on expiry of fixed periods.

5.5.14 Deduction in respect of interest on deposits in case of senior citizens (Section 80TTB):

Section 80TTB introduced by Finance Act, 2018 allows deduction to a senior citizen from his gross total income in respect of income by way of interest on deposits with –

- (a) banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);
- (b) co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or
- (c) a Post Office as defined in clause (k) of section 2 of the Indian Post Office Act, 1898.

The amount of deduction in respect of above interest on deposit is as under:-

- (i) in a case where the amount of such income does not exceed in the aggregate fifty thousand rupees, the whole of such amount; and
- (ii) in any other case, fifty thousand rupees.

However, no deduction is allowed under section 80TTB to any partner of the firm or any member of the association or any individual of the body if said interest is derived from any deposits held by, or on behalf of, a firm, an association of persons or a body of individuals. For this purpose, “senior citizen” means an individual resident in India who is of the age of sixty years or more at any time during the relevant previous year.

However, taxpayers claiming deduction under section 80TTB shall not be eligible for deduction under section 80TTA.

6. Rebate of Rs 12,500 For Individuals Having Total Income Upto Rs 5 Lakh [Section 87A]

Finance Act, 2019 w.e.f. 01.04.2019, provided relief in the form of rebate to individual taxpayers, resident in India, who are in lower income bracket, i.e. having total income not exceeding Rs 5,00,000/-. The amount of rebate available under section 87A is Rs 12,500/- or the amount of tax payable, whichever is less from financial year 2019-20.

7. TDS on payment of accumulated balance under recognized provident fund and contribution from approved superannuation fund:

7.1 The trustees of a Recognized Provident Fund, or any person authorized by the regulations of the Fund to make payment of accumulated balances due to employees, shall in cases where sub-rule(1) of Rule 9 of Part A of the Fourth Schedule to the Act applies, at the time when the accumulated balance due to an employee is paid, make therefrom the deduction specified in Rule 10 of Part A of the Fourth Schedule to the Act. The accumulated balance is treated as income chargeable under the head “Salaries”.

7.2 Where any contribution made by an employer, including interest on such contributions, if any, in an approved Superannuation Fund is paid to the employee, tax on the amount so paid shall be deducted by the trustees of the Fund to the extent provided in Rule 6 of Part B of the Fourth Schedule to the Act. TDS should be at the average rate of tax at which, the employee was liable to be taxed during the preceding three years or during the period, if that period is less than three years,