Welcome for the module.

The course title is income tax (direct text). The title of the unit is permissible deduction in the Chapter VIA and the computation of total income and tax liability. The name of the module is Permissible Deductions under Chapter VI A: 80E-80U. Section 80E to 80U will be covered in this module.

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 in this module I will be covering the deductions under Chapter VIA, the deductions covered under section

80E, 80G, 80TTA and 80U will be covered in this module,

At the end of the module you will be able to understand the provisions under Sec. 80E, 80G, 80TTA and 80U and apply the provisions for solving practical problems.

Section 80E covers deductions in respect of payment interest on loan taken for higher education. only individual can claim the deduction under this section and the interest is deductible in the year in which the interest is paid.

Interest is deductible if loan is taken for pursuing assessee’s own education or for the education of his relatives i.e. spouse, children or any student for whom the individual is the legal guardian.

The interest should be paid in order to claim a deduction under this section and the interest should be paid of income chargeable out of the income chargeable to tax in that particular year. With regards to the maximum ceiling , the entire interest can be claimed as a deduction in the year in which the assessee starts paying interest on loan & subsequent 7 years or until the interest is paid in full ,whichever is earlier.

Lets have a look at the deduction u/s 80G which covers deductions for donations.

The salient features of this section are :

1. In-kind contributions such as food, material, clothes, medicines etc. do not qualify for deduction under section 80G.
2. Any donations made in cash exceeding ₹ 2,000 will not be allowed as deduction.
3. The donations above ₹ 2,000 should be made in any mode other than cash to qualify as a deduction under section 80G.

Eligible deductions u/s 80G can be broadly classified as under:

a) 100% deduction without any qualifying limit (eg. Prime Minister’s National Relief fund)

b) 50% deduction without any qualifying limit (eg. Indira Gandhi memorial trust)

c) 100% deduction subject qualifying limit(eg. Approved institution for family planning)

d) 50% deduction subject to qualifying limit ( eg. Approved institution for charitable purpose other than institution for family planning)

100% deduction without any qualifying limit includes donations towards

Prime Minister's National Relief Fund, National Defense Fund ,Prime Minister’s Armenia Earthquake Relief Fund, The National Foundation of Communal Harmony, Approved University or education institution of national eminence, The Maharashtra’s Chief Minister’s Earthquake Relief Fund, Donations made to Zila Saksharta Samitis, The Army / Air Force Central welfare Fund or Indian Naval Benevolent Fund. In this list I have not included all the items as the complete list I have uploaded under note,you can refer to that note for the list.

Next category is the donation which is eligible for 50% deduction without qualifying limit, this list covers donation towards the Jawaharlal Nehru Memorial Fund, Prime Minister’s Drought Relief Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation and National Children’s Fund

Next are the donations eligible for 100% Deduction Subject to 10% of Adjusted Gross Total Income

It covers donation to the government or a local authority for the purpose of promoting family planning, Sums paid by a company to Indian Olympic Association, Swachh Bharat Kosh , Clean ganga Fund, National Fund for control of drug abuse

 The donation which are eligible for 50% deduction subject to 10% of Gross Total Income, includes any other fund or any institution which satisfies the 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, Any corporation referred to in Section 10(26BB) for promoting the interest of the minority community and for repairs or renovation of any notified temple, mosque, gurudwara, church or other places.

The qualifying limits u/s 80G is 10% of the adjusted gross total income.

 The ‘adjusted gross total income’ for this purpose is the gross total income (i.e. the sub total of income under various heads) reduced by the Amount deductible under Sections 80CCC to 80U (but not Section 80G), Exempt income, Long-term capital gains, Short- term capital gains taxable @15 per cent under section 111A and Income referred to in Sections 115A, 115AB, 115AC, 115AD relating to non-residents and foreign companies.

Steps for computing deductions u/s 80G are the 1st step is to find out Gross Qualifying Amount (GQA), Step 2 we need find out Net Qualifying Amount (NQA) and Step 3 is to Calculate the Amount of Deduction

So let us understand this section with the help of an illustration.

Mr. X an individual gave donation of ₹ 1,50,000/- to a NGO called Satwik. The adjusted gross total income for the A.Y. year 2020-21 of Mr. X is ₹ 5,00,000/-. Calculate the amount of deduction U/S 80G

In the example the gross total income is given as 5,00,000 and he has made a donation of ₹ 1,50,000.

So first we need to we need to see where the donation has been made. He has made a donation to NGO and then we need to see under which category does the deduction fall?

Over here Mr. X has made a donation to an NGO. The deduction is can be availed up to 50% of the donation made. donation made given is ₹ 1,50,000 so 50% of 1,50,000 is 75,000. So the amount of deduction under section 80G and the gross qualifying amount subject to the maximum limit of 10% of the gross total income. The Gross total income given is 5,00,000,

so we have to calculate 10% of 5,00,000 which is 50,000 and 50% of the donation ie 75,000.

We need to compare 10% of GTI and 50% of donation , whichever is less will be taken as a can be claimed as a deduction under sec. 80G. in this case 50,000 is less than 75,000. Therefore Mr.X can claim a deduction under section 80G amounting to rupees 50,000.

Let’s consider one more illustration where in the gross salary is given is 8,00,000 and deposited rupees 60,000 in public Provident fund and 70,000 as a fixed deposit and donated ₹ 85000.

Total income before 80G deduction is 670000 which is arrived after deducting ₹ 60000 ie rupees deposited in PPF and 70000 deposited in fixed deposit both this deduction is covered u/s 80C

Now let us calculate the deduction u/s 80G under four different donation options: ie donation under Prime Minister National Relief Fund, Jawaharlal Nehru Memorial Fund, Indian Olympic Association and NGO-child relief and you

Donation under Prime Minister National Relief Fund is eligible for 100% deduction without the qualifying limit, donation towards the Jawahar Nehru Memorial Fund eligible for 50% deduction without qualifying limit, and donation towards the Indian Olympic Association is eligible for 100% deduction subject to a limit and amount donated to NGO ie a child relief and you, in this case the deduction can be availed up to 50% subject to the limit.

Now let us calculate the amount to be deducted under section 80G, for each of the 4 types of donations mentioned above.

Donation towards Prime Minister National Relief fund is eligible for 100% deduction without qualifying limit, total amount donated is 85,000 in this case the entire amount of ₹ 85,000 can be claimed as a deduction.

Then in the second case, ie donation towards the Jawahar Nehru Memorial Fund eligible for 50% deduction without qualifying limit, 50% of 85,000 ie 42500 can be can be availed as a deduction.

In the third case i.e amount donated for Indian Olympic Association ,100% deduction is allowed subject to a limit. Limit is 10% of the adjusted gross profit. So in this case the adjusted gross profit is 670,000, 10% of this is 67,000 now we need to compare the amount of donation 85,000 or 10% of adjusted GTI i.e 67,000, whichever is less can claim be deduction. So here the deduction to be claim u/s 80G is ₹ 67000

 in the fourth case ie donation to NGO the deduction can be availed 50% subject to the limit. Again, the limit is 10% of adjusted gross total income so 10% of 6,70,000 is 67,000 and 50% of 85,000 is 42,500, we need to compare 50% of the amount donated that comes to ₹ 42,500 and 10% of GTI that amounts to 67,000, whichever is less can be claimed as deduction. So in this situation we can claim a deduction of 42,500 under Section 80G.

next section to be covered is section 80TTA which covers deduction in respect of interest on deposits in savings account . This deduction is available to an Individual and HUF.Deduction under this section is allowed on interest earned from a savings account with a bank, from a savings account with a co-operative society carrying on the business of banking and from a savings account with a post office. The maximum deduction under section 80TTA is limited to ₹10,000.

Deduction with respect to the person with disability is covered u/s 80U.

To claim tax benefit u/s 80U, the taxpayer should be individual and resident of India. Deduction can be claim if the assessee is suffering from 40% or more than 40% disability. Deduction of ₹ 75000 can be claim for normal disability and deduction of ₹ 125000 can be claim for severe disability (i.e having disability of 80% or above)

Thank you.