

10. DEDUCTIONS UNDER CHAPTER VIA**ASSIGNMENT SOLUTIONS****PROBLEM NO.1**

Computation of eligible deduction under section 80C for A.Y. 2019-20 (In respect of life insurance premium paid by Mr. Himesh)

No.	Date of issue of policy	Person insured	Actual capital sum assured	Insurance premium paid during 2018-19	Restricted to % of sum assured)	Deduction u/s 80C for A.Y.2019-20
i)	01/03/2012	Mr. Himesh	3,00,000	75,000	20%	60,000
ii)	01/05/2014	Mrs. Himani	1,00,000	25,000	10%	10,000
iii)	01/07/2015	Handicapped Daughter	2,00,000	60,000	15%	30,000
iv)	01/07/2015	Son	1,00,000	25,000	10%	10,000
Total						1,10,000

PROBLEM NO.2

Deduction under section 80CCG is available to:

- i) A new retail investor who complies with the conditions of the Rajiv Gandhi Equity Savings Scheme; and
- ii) Whose gross total income for the financial year in which investment is made under the scheme is less than or equal to Rs. 12 lakh.

No deduction under this section shall be allowed from A.Y. 2019-20. However, an assessee who has claimed deduction under this section for A.Y. 2018-19 or earlier assessment year, shall be allowed deduction till A.Y. 2019-20, if he is otherwise eligible to claim the deduction as per the provisions of this section.

The question specifies that Ms. Ria, Ms. Roma & Mr. Raj are new retail investors. Hence no deduction under Sec.80CCG was available to all the investors as they are new retail investors. **However, since gross total income of Mr. Raj for the A.Y. 2017-18 exceeds Rs. 12 lakh, he is not eligible for deduction under section 80CCG for that year, even though he is a new retail investor.**

Computation of deduction under section 80CCG for A.Y. 2019-20

Particulars	Ms. Ria	Ms. Roma
Investment in listed equity shares	50,000	23,000
Investment in units of equity-oriented fund	10,000	12,000
Total Investment in eligible securities	60,000	35,000
Maximum amount of investment eligible for deduction under section 80CCG [Actual Investment or Rs. 50,000, whichever is lower]	50,000	35,000
Deduction under section 80CCG for A.Y. 2019-20 (50% of above)	25,000	17,500

Tax treatment on sale of investment by Mr. Raj in the Financial Year 2018-19 In the case of Mr. Raj, since no deduction under section 80CCG was allowed to him in the A.Y. 2019-20 on account of his gross total income exceeding Rs. 12 lakh, no amount invested in that year can be subject to tax in A

PROBLEM NO.3**Computation of Eligible Deduction of Mr. Nepal for the A.Y.2019-20**

Particulars	Amount (Rs.)	Amount (Rs.)
Deductions U/s 80C:		
LIC Premium paid (Note)	25,000	
Contribution to Public Provident Fund	70,000	
Repayment of Housing Loan to Indian bank	50,000	
Deductions U/s 80CCC:		
Payment made to LIC Pension Fund	20,000	
	1,65,000	
Maximum Permissible Deduction u/s 80 CCE	1,50,000	1,50,000

Deductions u/s 80D:		
Medical insurance premium for self, wife and dependent children	25,000	
Mediclaime premium for parents (aged over 60 years) restricted up to Rs. 50,000	50,000	75,000
Deductions u/s Chapter VI A		2,25,000

PROBLEM NO.4**Computation of total income of Mr. Chaturvedi for the A.Y.2019-20**

Particulars	Rs.	Rs.
Gross total income		6,35,000
Less: Deductions under Chapter VI-A		
i) Deposit of Rs. 50,000 in tax saver deposit in the name of major son in a nationalized bank - Fixed deposit in the name of son does not qualify for deduction under section 80C	-	
ii) Premium on life insurance policy of his married daughter - Full amount is eligible for deduction under section 80C (since premium paid does not exceed 10% of sum assured)	25,000	
iii) Contribution of Rs. 10,000 to PM's National Relief Fund, eligible for 100% deduction under section 80G (See note)	10,000	
iv) Payment of Rs. 20,000 to a Government recognized institution for scientific research - Eligible for deduction under section 80GGA since the payment is made by way of cheque	20,000	55,000
Total Income		5,80,000

Note: It was assumed that the entire contribution of Rs.10,000 to PM's National Relief Fund was paid by cheque.

PROBLEM NO.5

- i) **True:** The deduction under section 80E available to an individual in respect of interest on loan taken for his higher education or for the higher education of his relative. For this purpose, relative means, inter alia, spouse and children of the individual. Therefore, Mr. Amit will get the deduction under section 80E. It is immaterial that his son is already employed in a firm. This would not affect Mr. Amit's eligibility for deduction under section 80E.
- ii) **True:** Under section 80C(2) subscription to such bonds issued by NABARD (as the Central Government may notify in the Official Gazette) would qualify for deduction under section 80C.
- iii) **False:** There is no stipulation under section 80C that the investment, subscription, etc. should be made from out of income chargeable to tax.
- iv) **False:** Deduction under section 80E is in respect of interest paid on education loan. Hence, the deduction will be limited to Rs. 14,000.
- v) **False:** A proviso has been inserted in section 80CCD (3) to provide that the amount received by the nominee, on closure of NPS account on the death of the assessee, shall not be deemed to be the income of the nominee. Hence the amount received by Mrs. Sheela would not be deemed to be her income for the A.Y. 2019-20.

PROBLEM NO.6

- i. The deduction of Rs. 75,000 under section 80DD is allowed in full, irrespective of the amount of expenditure incurred or paid by the assessee. If the expenditure is incurred in respect of a dependant with severe disability, the deduction allowable is Rs. 1,25,000.
- ii. The assessee has deposited Rs. 25,000 for maintenance of handicapped dependent. The assessee is, however, eligible to claim Rs. 75,000 since the deduction of Rs. 75,000 is allowed in full, irrespective of the amount deposited with LIC. In the case of dependant with severe disability, the deduction allowable is Rs. 1,25,000.
- iii. Section 80DD allows a deduction of Rs. 75,000 irrespective of the actual amount spent on maintenance of handicapped dependent and/or actual amount deposited with LIC. Therefore, the deduction will be Rs. 75,000 even though the total amount incurred/deposited is Rs. 45,000. If the dependant is a person with severe disability the quantum of deduction is Rs. 1,25,000.

- iv. Amount paid by an Indian Company to an electoral trust is eligible for deduction under section 80GGB from gross total income, since such payment is made otherwise than by way of cash.

PROBLEM NO.7**Computation of total income of Mr. Raj Mohan for the A.Y.2019-20**

Particulars	Amount (Rs.)	Amount (Rs.)
Gross Total Income		6,40,000
Less: Deductions under Chapter VI-A		
Under section 80C		
Stamp duty paid on acquisition of residential house	50,000	
Five year time deposit with Post Office	20,000	70,000
Under section 80E		
Interest on loan taken for higher education of spouse, being a relative.	10,000	
Under section 80G (See Note below)		
Donation to recognized charitable trust (50% of Rs. 25,000) (assumed that the amount was not paid in cash)	12,500	92,500
Total income		5,47,500

Note: In case of deduction under section 80G in respect of donation to a charitable trust, the net qualifying amount has to be restricted to 10% of adjusted total income, i.e., gross total income less deductions under Chapter VI-A except 80G. The adjusted total income is, therefore, Rs. 5,60,000 (i.e. 6,40,000 - Rs.80,000), 10% of which is Rs. 56,000, which is higher than the actual donation of Rs. 25,000. Therefore, the deduction under section 80G would be Rs. 25,000, being 100% of the actual donation of Rs. 25,000.

PROBLEM NO.8

- a) **False:** Section 80AC stipulates compulsory filing of return of income on or before the due date specified under section 139(1), as a pre-condition for availing the benefit of deduction, *inter alia*, under section 80-IB.
- b) **True:** As per section 80AC, the assessee has to furnish his return of income on or before the due date specified under section 139(1), to be eligible to claim deduction under, *inter alia*, section 80-IE.

PROBLEM NO.9

Computation of deduction under section 80JJAA	
Mr. Anay is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y.2019-20, as his total turnover from business exceeds Rs. 1 crore and he has employed "additional employees" during the P.Y.2018-19.	
Additional employee cost = [Rs. 22,000 × 40 new regular employees × 11 months] + [Rs. 15,000 per month × 9 months × 25 new contractual employees] = Rs. 96,80,000 + Rs. 33,75,000 = Rs. 1,30,55,000	
Deduction under section 80JJAA = 30% of Rs. 1,30,55,000 = Rs. 39,16,500.	

Working Note: Number of Additional employees employed during the P.Y.2018-19

Particulars	No. of additional employees	
Total number of additional employees employed during the year		140
Less: Casual workmen employed on 15th April 2018, who do not participate in the recognised provident fund	15	
Regular employees employed on 1 st August 2018, since their total monthly emoluments exceed Rs. 25,000	35	
Regular employees employed on 1st October 2018, for a period of less than 240 days during the P.Y.2018-19	25	75
Total number of additional employees employed during the P.Y.2018-19		65

Yes, the answer would be different, if Mr. Anay is engaged in the business of manufacture of apparel. Since the number of days of employment in a year has been relaxed from 240 days to 150 days in case of apparel industry, wages paid to regular employees employed on 01.10.2018 would also qualify for deduction under section 80JJAA for A.Y. 2019-20.

Additional employee cost = Rs. 1,30,55,000 + Rs. 33,00,000 (Rs. 22,000 × 6 × 25) = Rs. 1,63,55,000

Deduction under section 80JJAA = 30% of Rs. 1,63,55,000 = Rs. 49,06,500

PROBLEM NO.10

i) Deduction available to Mr. Hariharan under Chapter VI-A for A.Y.2019-20:

Section	Particulars	Rs.	Rs.
80C	Deposit in public provident fund Rs.1,60,000 (deduction restricted to Rs. 1,50,000)	1,50,000	
	Life insurance premium paid Rs.25,000 (deduction restricted to Rs.20,000, being 20% of Rs.1,00,000, which is the sum assured, since the policy was taken before 01.04.2012)	20,000	
	Five year term deposit with bank	<u>50,000</u>	2,20,000
			1,50,000
80CCD(1)	Restricted to Contribution to NPS of the Central Government, Rs.1,60,000 [Rs. 2,10,000 - Rs. 50,000, being deduction under sec. 80CCD(1B)], restricted to 10% of salary [Rs. 2,10,000 x 10/15] [See Note 1]		<u>1,40,000</u> <u>2,90,000</u>
80CCE	Aggregate deduction under section 80C and 80CCD(1), Rs. 2,90,000, but restricted to		1,50,000
80CCD(1B)	Rs. 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
80CCD(2)	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,40,000
80D	(i) (a) Medical insurance premium for self	22,000	
	(b) Preventive health checkup Rs.5,000 for wife restricted to Rs.3,000 (Rs.25,000 - Rs.22,000, since maximum allowable deduction is Rs.25,000)	<u>3,000</u>	25,000
	(ii) (a) Health Insurance premium for his father	26,000	
	(b) Preventive health check up Rs. 5,000 restricted to Rs.2,000 (Rs.5,000 - Rs.3,000), since maximum allowable deduction in respect of preventive health check up under section 80D is Rs.5,000 [See Note 3]	<u>2,000</u>	
	Whole of the amount of Rs.28,000 allowed as deduction, since maximum allowable deduction is Rs.50,000, where the parent is a senior citizen.		28,000
80DD	Deduction of Rs. 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is Rs. 50,000		1,25,000
Deduction under Chapter VI-A			5,18,000

Notes:

- The deduction under section 80CCD(1B) would not be subject to overall limit of Rs. 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Hariharan to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of Rs. 1,60,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of salary i.e. Rs. 1,40,000.
- The entire employer's contribution to notified pension scheme has to be first included under the head - Salaries while computing gross total income and thereafter, deduction under section 80CCD(2) would be allowed, subject to a maximum of 10% of salary. Deduction under section 80CCD(2) is also not subject to the overall limit of Rs. 1,50,000 under section 80CCE
- In the alternative, preventive health check-up of Rs. 4,000 of his father can be claimed, in which case, expenses on preventive health check-up of wife can be claimed only to the extent of Rs. 1,000. In such case also, the total deduction under section 80D would be Rs. 53,000 (Rs. 23,000 + Rs. 30,000)

- ii) If the contribution towards NPS is Rs. 1,40,000, here again, it is beneficial for Mr. Hariharan to first claim deduction of Rs. 50,000 under section 80CCD(1B) and the balance of Rs. 90,000 can be claimed under section 80CCD(1), since the deduction available under section 80CCD(1B) is over and above the aggregate limit of Rs. 1,50,000 under section 80CCE. In any case, the aggregate deduction of Rs. 2,40,000 [i.e., Rs. 1,50,000 under section 80C and Rs. 90,000 under section 80CCD(1)] cannot exceed the overall limit of Rs. 1,50,000 under section 80CCE. The total deduction under Chapter VIA would remain the same i.e., Rs. 5,18,000.

PROBLEM NO.11**Computation of total income of Mr. Chankaya for the A.Y.2019-20**

Particulars	Rs.
Gross total income	8,40,000
Less: Deductions under Chapter VI-A (See Working Note below)	4,09,000
Total Income	4,31,000

Working Note:**Computation of Deductions under Chapter VI - A**

Particulars	Rs.	Rs.
i) Deduction under section 80C		
- Deposit in public provident fund	1,00,000	
- Deposit of Rs. 80,000 in tax saver deposit in the name of major son in a nationalized bank - Fixed deposit in the name of son does not qualify for deduction under section 80C	-	
- Premium on life insurance policy of his married daughter - Full amount is eligible for deduction under section 80C (since premium paid does not exceed 10% of sum assured)	45,000	
Sub total	1,45,000	
ii) Deduction under section 80CCD(1)		
Contribution to NPS of the Central Government, Rs.1,00,000 [Rs.1,50,000 - Rs.50,000, being deduction under section 80CCD(1B)], restricted to Rs.84,000 being 10% of Gross total Income i.e., Rs.8,40,000. The total deduction to be worked out to Rs.2,29,000 (1,00,000 + 45,000 + 84,000). However, as per section 80CCE, aggregate deduction u/s 80C and 80CCD(1) cannot exceed Rs.1,50,000	84,000	1,50,000
iii) Deduction under section 80CCD(1B)		50,000
The deduction under section 80CCD(1B) would not be subject to overall limit of Rs. 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Chankaya to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of Rs.1,00,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of Gross Total Income i.e. Rs. 84,000.		
iv) Deduction under section 80D		
1. (a) Medical insurance premium for self	21,000	
(b) Preventive health checkup Rs.5,000 for wife restricted to Rs.4,000 (Rs.25,000 - Rs.21,000, since maximum allowable deduction is Rs. 25,000)	4,000	
	25,000	
2. (a) Health Insurance premium for his father		
(b) Preventive health checkup Rs.5,000 restricted to Rs.1,000 (Rs.5,000 - Rs.4,000), since maximum allowable deduction in respect of preventive health check up under section 80D is Rs. 5,000*.	24,000	
Whole of the amount of Rs. 25,000 allowed as deduction, since maximum allowable deduction is Rs. 50,000, where the parent is a senior citizen.	1,000	
	25,000	
Total of (i) and (ii)		50,000
v) Deduction under section 80DD: Deduction of Rs. 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is Rs. 80,000		1,25,000
vi) Deduction under section 80G: Contribution of Rs. 12,000 to PM's National		

Relief Fund, eligible for 100% deduction (assuming that the contribution was made other than by way of cash)		12,000
vii) Deduction under section 80GGA: Payment of Rs. 22,000 to a Government recognized institution for scientific research - Eligible for deduction under section 80GGA since the payment is made by way of cheque		22,000
Total Deductions under Chapter VI-A		4,09,000

*In the alternative, preventive health check-up of Rs. 5,000 of his father can be claimed, in which case, no deduction would be allowed in respect of the expenses on preventive health check-up of wife, since the aggregate deduction for preventive health check-up cannot exceed Rs.5,000. In such case also, the total deduction under section 80D would be Rs. 50,000

PROBLEM NO.12**Computation of deduction under Chapter VI-A for the A.Y.2019-20**

Particulars	Rs.
Deduction under section 80C	
Contribution to PPF – fully allowed, since it is within the limit of Rs. 1,50,000	1,10,000
Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
Repayment of housing loan	25,000
Total	1,80,000
Restricted to Rs. 1,50,000, being the maximum permissible deduction u/s 80C	1,50,000
Deduction under section 80CCC	
Contribution to approved pension fund of LIC Rs. 1,05,000	1,05,000
	2,55,000
As per section 80CCE, the aggregate deduction under section 80C, 80CCC and 80CCD(1) has to be restricted to Rs.1,50,000	1,50,000

PROBLEM NO.13**Computation of Total Income of Mr. Shiva for A.Y. 2019-20**

Particulars	Rs.	Rs.
Gross Total Income		7,75,000
Less: Deduction under section 80C		
Deposit in PPF	1,00,000	
Life insurance premium paid for insurance of major daughter (Maximum 10% of the assured value Rs. 1,80,000, as the policy is taken after 31.03.2013)	18,000	
Deduction under section 80CCC in respect of LIC pension fund	60,000	1,78,000
As per section 80CCE, deduction under section 80C & 80CCC is restricted to		1,50,000
Deduction under section 80D		
Medical Insurance premium in respect of self and spouse	26,000	
Restricted to		25,000
Deduction under section 80G (See Note 1)		87,500
Total income		5,12,500

Notes:**1. Computation of deduction under section 80G:**

Particulars of donation	Amount donated (Rs.)	% of deduction	Deduction u/s 80G (Rs.)
National Children's Fund	25,000	100%	25,000
Jawaharlal Nehru Memorial Fund	25,000	50%	12,500
Approved institution for promotion of family planning	40,000	100%, subject to qualifying limit	40,000
Public Charitable Trust	50,000	50% subject to qualifying limit (See Note 2)	10,000
Total			87,500

2. Adjusted total income = Gross Total Income – Amount of deductions under section 80C to 80U except section 80G i.e., Rs. 6,00,000, in this case.

Rs. 60,000, being 10% of adjusted total income is the qualifying limit, in this case.

Firstly, donation of Rs. 40,000 to approved institution for family planning qualifying for 100% deduction subject to qualifying limit, has to be adjusted against this amount. Thereafter, donation to public charitable trust qualifying for 50% deduction, subject to qualifying limit is adjusted. Hence, the contribution of Rs. 1,50,000 to public charitable trust is restricted to Rs. 20,000 (being, Rs. 60,000 - Rs. 40,000), 50% of which would be the deduction under section 80G. Therefore, the deduction under section 80G in respect of donation to public charitable trust would be Rs. 10,000, which is 50% of Rs. 20,000.

THE END

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