Jolapara Binita
Research Scholar
Saurashtra University, Rajkot, India
Email: binitajolapara111@gmail.com

ABSTRACT

India has a very well established tax structure with clear demarcation between Central Government and State Government. Generally Central Government levy various taxes on income except agricultural income of people of India. (State Government can levy tax on agricultural income). Among various direct taxes, income tax is calculated on the gross total income of the assessee. For the relief and incentive to the assessee for achieving some economic objectives, some permissible amount is deducted from the gross total income of the assessee. For this, certain deductions are allowed under Chapter VIA from Section 80C to 80U. This paper contains the list and calculations of such deductions.

Keywords: Direct taxes, Deductions under Chapter VIA, Gross Total Income

INTRODUCTION

Indian taxation system has faced tremendous changes during the last decade especially after Modi Government. Indian taxation system can be categorized into two categories: Direct Taxation and Indirect Taxation. Direct taxation includes the income tax, wealth tax etc. whereas indirect taxation includes GST. Every year Government of India tried to enhance the fiscal transparency to improve the budgetary management. That’s why government always try to simplify the direct tax laws for the benefit of people in India and also redesign the procedure of tax system time to time as per the requirement.

DIRECT TAXATION

Taxes which are directly levied on the income or wealth of the people is called direct taxation. So the burden of paying tax is directly falls upon the tax payer. Direct tax includes various types of taxes like Income tax, Wealth tax, Gift tax, Corporation tax, Interest tax, Land revenue etc.

REVIEW OF LITERATURE

N.R.Ghuge & Dr. V. V. Katdare [2015], focused on various figures and number of taxes collected by Indian government. It was seen from various figures that government of India is highly dependent on indirect taxes rather than direct taxes as well as explained the merits and demerits of direct and indirect taxes of India.

Habibullah & Co., gave overview of Indian taxation system and explained various basic terms of income tax like, assessment year, previous year, person, company, residential status, dividend distribution tax (DDT), securities transaction tax (STT), Minimum Alternate Tax (MAT) etc.
OBJECTIVES

1. To understand the concept of direct taxation of India.
2. To know about various deductions available under Chapter VIA.

INCOME TAX

Income tax payable in India is governed by the Income Tax Act, 1961 and Income Tax Rules 1962. Income tax is chargeable on the Net Taxable Income of the person. But before that certain concept and definitions of income tax like person, assessment year, previous year, company, and residential status must be known.

As per the Income Tax Act, 1961, all individual resident, partnership firm, Hindu undivided family, Company or any other artificial registered authority need to pay income tax when its income exceed the exemption limit. The rate of income tax is changed from time to time. Such tax income of government is used by the government for welfare of the society. Generally income tax is calculated on the gross total income of any individual, firm of company. Such gross total income includes mainly five heads of income which are as Income from Salary, Income from House Property, Income from Business / Profession, Income from Capital gain, Income from Other Sources etc.

Aggregate of all such income under five heads is adjusted with Set off & Carry Forward of Losses. Then various deductions available under chapter VIA allowed to be deducted and thus remaining income is known as Total Income or Taxable Income. Various deductions available under Chapter VIA can be analyzed as under:

DEDUCTIONS TO BE MADE IN COMPUTING GROSS TOTAL INCOME

[SECTIONS 80C TO 80U (CHAPTER VIA)] [AY 2018-19]

<table>
<thead>
<tr>
<th>SR NO.</th>
<th>PARTICULARS</th>
<th>TO WHOM ALLOWED</th>
<th>QUANTUM OF DEDUCTION</th>
<th>SECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deductions in respect of Life insurance premium, Deferred annuity, Contribution to PF, Subscription to certain equity shares or debentures, Term deposit for the fixed period of not less than 5 years with a scheduled banks, Bonds issued by NABARD, Post office 5 year Time deposit, Senior Citizen Savings Scheme etc.</td>
<td>Individual / HUF</td>
<td>Maximum 1,50,000 [Subject to overall limit of 1,50,000]</td>
<td>80C</td>
</tr>
<tr>
<td>2</td>
<td>Contribution to certain pension funds of LIC or any other insurer</td>
<td>Only individual</td>
<td>Maximum 1,50,000 [Subject to overall limit of 1,50,000]</td>
<td>80CCC</td>
</tr>
<tr>
<td>3</td>
<td>Contribution to pension scheme notified by Central Government (1)</td>
<td>Only individual</td>
<td>Employer’s and employee’s contribution subject to maximum of 10% of salary, 10% of gross total income in all other cases</td>
<td>80CCD</td>
</tr>
<tr>
<td>4</td>
<td>Limit of deduction u/s 80C, 80CCC and 80CCD(2)</td>
<td>Individual or HUF</td>
<td>Maximum 1,50,000</td>
<td>80CCE</td>
</tr>
<tr>
<td>5</td>
<td>Subscription paid or deposited in respect of notified long term infrastructural bonds.</td>
<td>Individual / HUF</td>
<td>Maximum 20,000</td>
<td>80CCF</td>
</tr>
<tr>
<td>S. No.</td>
<td>Description</td>
<td>Eligibility</td>
<td>Deduction Details</td>
<td>Code</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>6</td>
<td>Amount paid (in any mode other than cash) to LIC or other insurer in respect of medical insurance premium. Contribution to Central Government Health Scheme is also eligible as per Amendment in Finance Bill 2010, w.e.f A.Y. 2011-12</td>
<td>Individual / HUF</td>
<td>Up to 25,000; for senior citizens – 30,000</td>
<td>80D</td>
</tr>
<tr>
<td>7</td>
<td>An expenditure incurred for the medical treatment of person with physical disability</td>
<td>Resident Individual / HUF</td>
<td>With disability Rs. 75,000; with severe disability Rs. 1,25,000</td>
<td>80DD</td>
</tr>
<tr>
<td>8</td>
<td>Expenses paid for medical treatment for the specified diseases.</td>
<td>Resident Individual / HUF</td>
<td>Maximum deduction Rs. 40,000; for senior citizen Rs. 60,000 &amp; for very senior citizen Rs. 80,000 w.e.f. AY 2016-17</td>
<td>80DDB</td>
</tr>
<tr>
<td>9</td>
<td>Amount or interest paid on loan taken from financial institution / approved charitable institution for pursuing higher education. [Maximum period: 8 years]</td>
<td>Individual</td>
<td>Actual amount paid</td>
<td>80E</td>
</tr>
<tr>
<td>10</td>
<td>Interest payable on loan taken by an individual from any financial institution for the purpose of acquisition of a residential house property subject to certain condition.</td>
<td>Only Individual</td>
<td>Maximum deduction Rs. 50,000</td>
<td>80EE</td>
</tr>
<tr>
<td>11</td>
<td>Donations to certain approved funds, trusts, charitable institutions/donations for renovation or repairs of notified temples, etc. [amount of deduction is 50 per cent of net qualifying amount].</td>
<td>All assesses</td>
<td>100% or 50% of donations with or without applying the qualifying limit 10% of AGTI.</td>
<td>80G</td>
</tr>
<tr>
<td>12</td>
<td>Rent paid in excess of 10% of total income for furnished/unfurnished residential accommodation</td>
<td>Only Individual Not receiving HRA</td>
<td>Deduction up to 5,000 p.m. or 25% of total income whichever is less</td>
<td>80GG</td>
</tr>
<tr>
<td>13</td>
<td>Donations for scientific, social or statistical research or rural development programme or for carrying out an eligible project or scheme or National Urban Poverty Eradication Fund</td>
<td>All assesses not having business income</td>
<td>100% of sum donated</td>
<td>80GGA</td>
</tr>
<tr>
<td>14</td>
<td>Sum contributed to any political party / electrol trust</td>
<td>Indian companies</td>
<td>100% of sum contributed</td>
<td>80GGB</td>
</tr>
<tr>
<td>15</td>
<td>Sum contributed to any political party / electrol trust&lt;sup&gt;(6)&lt;/sup&gt;</td>
<td>All assesses other than local authority and artificial jurisdiction person</td>
<td>100% of sum contributed</td>
<td>80GGC</td>
</tr>
<tr>
<td>16</td>
<td>Profits and gains from industrial undertakings engaged in infrastructure facility, telecommunication services, industrial park, development of Special Economic Zone, power undertakings, etc.&lt;sup&gt;(7)&lt;/sup&gt;</td>
<td>All assesses</td>
<td>100% of profit for 10 consecutive years in all cases except in case of &lt;strong&gt;telecommunication&lt;/strong&gt; where it shall be 100% for the first five years and 30% for the next 5 years.</td>
<td>80IA</td>
</tr>
<tr>
<td>17</td>
<td>Profits and gains derived by undertaking/enterprise from business of developing a Special Economic Zone (subject to certain conditions and limits)&lt;sup&gt;(8)&lt;/sup&gt;</td>
<td>An assesse, being a developer who derives any profit or gains from an undertaking or an enterprise from any business of developing SEZ.</td>
<td>100% of the profit for the 10 consecutive assessment years.</td>
<td>80 IAB</td>
</tr>
<tr>
<td>18</td>
<td>Deduction for profits and gains from certain industrial undertakings except infrastructure development undertakings.&lt;sup&gt;(9)&lt;/sup&gt;</td>
<td>Profits and gains from industrial undertakings, cold storage plant, hotel, scientific research &amp; development, ships. Profit from the business of hospitals in any area other than specified area. Production and refining of mineral oil.</td>
<td>25% to 100% for prescribed no. of years.</td>
<td>80 IB</td>
</tr>
<tr>
<td>19</td>
<td>Profits and gains derived by an undertaking or an enterprise in special category States (Himachal Pradesh, Uttarakhal, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura)</td>
<td>All assesses deriving income from an undertaking or enterprises situated in special category states which begin manufacturing / production between specified dates.</td>
<td>25% to 100% of profits.</td>
<td>80 IC</td>
</tr>
<tr>
<td>20</td>
<td>Profits and gains from business of hotels and convention centers in specified areas (subject to certain</td>
<td>All assesses engaged in the business of hotel</td>
<td>100% for 5 consecutive assessment years.</td>
<td>80 ID</td>
</tr>
<tr>
<td>21</td>
<td>Deduction in respect of certain undertakings in North Eastern States.</td>
<td>All assesses who begun manufacturing or produce eligible articles or things or undertake substantial expansion or carry on any eligible business on or after 1-4-2007</td>
<td>100% for 10 consecutive assessment years.</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>income from business of collecting and processing of bio-degradable waste for producing power, or manufacturing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas, making pellets for fuel or organic manure</td>
<td>All assesses</td>
<td>100% profit or income for the 5 consecutive years</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Deduction in respect of employment of new workmen or employees</td>
<td>Only Indian companies</td>
<td>30% of additional wages paid to new regular workmen</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Certain incomes of Scheduled banks/banks incorporated outside India having Offshore Banking Units in a Special Economic Zone/Units of International Financial Services Centre (subject to certain conditions and limits)</td>
<td>Scheduled Banks/banks incorporated outside India/ Units of International Financial Services Centre</td>
<td>100% for the first 5 years and 50% for the next 5 years.</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Deduction in respect of income of co-operative societies except in case of certain co-operative banks</td>
<td>Co-operative banks</td>
<td>100% of profit but in some cases amount is fixed at – Rs. 1,00,000 &amp; Rs. 50,000</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Deduction in respect of royalty income of authors of certain books other than text books</td>
<td>Individual Resident of India &amp; Author</td>
<td>Actual income or Rs. 3,00,000, whichever is less</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Deduction in respect of royalty on patents registered on or after 1-4-2003.</td>
<td>Individual Resident of India and is a patentee</td>
<td>Actual income or Rs. 3,00,000, whichever is less</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Deduction in respect of interest on deposits in saving banks a/c</td>
<td>Individual / HUF</td>
<td>Up to Rs. 10,000 per year</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Deduction in the case of permanent physical disability (including autism, cerebral palsy, blindness)</td>
<td>Resident Individual</td>
<td>With disability Rs. 75,000 With severe disability Rs. 1,25,000</td>
<td></td>
</tr>
</tbody>
</table>
1) Section 80CCE provides that the aggregate amount of deductions under section 80C, section 80CCC and section 80CCD shall not, in any case, exceed Rs. 1,50,000

- With effect from assessment year 2015-16, amended sub-section (1) has clarified that a non-government employee can claim deduction under section 80CCD even if his date of joining is prior to January 1, 2004.

2) With effect from the assessment year 2012-13 section 80CCE is amended so as to provide that contribution made by the Central Government or any other employer to a pension scheme under sub-section (2) of section 80CCD shall not be included in the limit of deduction of Rs. 1, 50,000 provided under section 80CCE.

3) **Under section 80D** –

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Maximum Tax Deduction Limits</th>
<th>Total Deduction under 80D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self, Spouse &amp; Dependent Children</td>
<td>Up to Rs. 25,000</td>
<td>Rs. 50,000</td>
</tr>
<tr>
<td>Parents (whether dependent or not)</td>
<td>Up to Rs. 25,000</td>
<td></td>
</tr>
<tr>
<td>No one in your family has attained 60 years of age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The eldest member in your family is less than 60 years of age &amp; your</td>
<td>Up to Rs. 25,000</td>
<td>Rs. 55,000</td>
</tr>
<tr>
<td>parents are above 60 years of age</td>
<td>Up to Rs. 30,000</td>
<td></td>
</tr>
<tr>
<td>The eldest member of your family has attained 60 years of age &amp; your</td>
<td>Up to Rs. 30,000</td>
<td>Rs. 60,000</td>
</tr>
<tr>
<td>parents are above 60 years of age</td>
<td>Up to Rs. 30,000</td>
<td></td>
</tr>
</tbody>
</table>

4) Scope of 'higher education' is enlarged with effect from assessment year 2010-11 to cover any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school, Board or university established by the Central Government or State Government or local authority or by any other authority established by the Central Government or State Government or local authority to do so.

- With effect from 1-4-2010 the scope of expression 'relative' has also been enlarged to cover the student for whom the taxpayer is the legal guardian.

5) Total Income = Gross total income less long term capital gains, short-term capital gains under section 111A, 115A deductions under sections 80C to 80U (other than 80GG).

6) With effect from 1-4-2014 deduction will not be allowed if sum is contributed in cash.

7) No deduction under this section shall be available to an enterprise which starts the development or operation and maintenance of the infrastructure facility on or after the 1st day of April, 2017.

8) No deduction under this section shall be available to an assessed, being a developer, where the development of Special Economic Zone begins on or after the 1st day of April, 2017.

9) No deduction shall be allowed to an enterprise who commence their business on or after 1-4-2017.

10) Additional employee cost means total emoluments paid or payable to additional employees employed during the previous year.

11) Deduction is allowed for first three Assessment Years including the Assessment Year relevant to previous year in which such employment is employed.
CALCULATION OF DEDUCTION

All the above deductions given the chart, the following income must be deducted from the gross total income if it is included in gross total income:

1. Long Term Capital Gain
2. Short Term Capital Gain on transfer of equity shares / units
3. Winning from lottery
4. Certain other income specified in sub section 115A, 115AB, 115AC, 115ACA, 115AD, 115BBA and 115D.
5. It is important to note that…..

Certain deduction are not to be allowed if the income tax return is not filed on or before due date. Such deductions are 80 IA, 80 IB, 80 IC, 80 IAB, 80 ID & 80 IE.

CALCULATION OF ADJUSTED GROSS TOTAL INCOME

<table>
<thead>
<tr>
<th>Gross total Income</th>
<th>(-) Long term capital gain</th>
<th>Short term capital gain</th>
<th>Winning from lottery</th>
<th>(-) Deduction under 80C to 80U</th>
<th>[Except 80G]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ADJUSTED GROSS TOTAL INCOME

*****

DEDUCTION AVAILABLE UNDER SECTION 80G

Just to encourage the assesses or tax payer to donate for certain purpose/ certain institution, funds, certain reliefs or benefits are allowed by way of deductions from gross total income. This deduction can only be claimed when the contribution has been made via cheese or draft or in cash. But deduction is not allowed for donations made in cash exceeding Rs 10,000. In-kind contributions such as food material, clothes, medicines etc. do not qualify for deduction under section 80G.
LIST – A

100% of donations to following is deductible without applying the qualifying limit of 10% of Adjusted Gross Total Income [AGTI]

1. National Defense Fund set up by the National Government
2. Prime Minister’s National Relief Fund
3. The Prime Minister’s Armenia Earthquake Relief Fund
4. The Africa (Public Contributions India) Fund
5. National Foundation for Communal Harmony
6. University or any other Educational Institute of National importance approved by the prescribed authority
7. Maharashtra Chief Minister, Earthquake Relief Fund
8. Zila Saksharta Samiti constituted in any district
9. The National Blood Transfusion Council or any State Blood Transfusion Council
10. Any fund set up by a State Government to provide medical relief to poor
11. Various funds of national eminence like The Army Central Welfare Fund / Indian Naval Benevolent Fund or any Air Force Central Welfare Fund
12. The Andhra Pradesh Chief Minister’s Cyclone Relief Fund, 1996
13. National Illness Assistant Fund
14. The Chief Minister’s Relief Fund or the Lieutenant Governor’s Relief Fund in respect of any State or Union Territory
15. National Sports Fund set up by the Central Government
16. National Cultural Fund set up by the Central Government
17. Fund for Technology Development and Application set up by the Central Government
18. National Trust for welfare Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability

LIST – B

50% of donation to the following is deductible without applying the qualifying limit of 10% of AGTI.

1. Jawaharlal Nehru Memorial Trust
2. Prime Minister’s Drought Relief Fund
3. Indira Gandhi Memorial Trust
4. Rajiv Gandhi Foundation

LIST – C

100% of donation to the following is deductible subject to overall the limit of 10% of AGTI.

1. Donation to Government or any approved local authority or association to be used for promotion of family planning.
2. Any sums paid by an assess, being a company, in the previous year as donations to Indian Olympic Association or any other association or institution established in India and notified by Central Government for –
   a) The development of infrastructure for sports and games or
   b) The sponsorship of sports and games in India

**LIST – D**

50% of donation to the following is deductible after applying the qualifying limit of 10% of AGTI.

1. Donation to Government or any approved local authority or institute to be used for any charitable purpose except family planning.
2. Any other fund or institution which satisfies the conditions of section 80G (5).
3. Donation to any authority formed in India under any law for satisfying the need for housing accommodation or for planning, development or improvement of cities, towns and villages.
4. To any corporation established by Central or any state Government specified under section 10(26BB) for promoting interest of the members of a minority community.
5. Any notified temple, Gurdwara, mosque, church or any other religious place by Central Government to be historic, archeological or artistic importance for renovation or repair of such place.

**DETERMINATION OF AMOUNT OF DEDUCTION U/S 80G**

**STEP 1 –**

Classify all the donations first on the basis of overall limit of 10% of Adjusted Gross Total Income (AGTI)

   The donation not subject to overall limit of 10% [List – A & B]

**AND**

   The donation subject to overall limit of 10% [List – C & D]

**STEP 2 –**

Both the type of donation may further classified on the basis of individual limit of amount donations. i.e. 50% or 100%.

**STEP 3 –**

   a) Find out the aggregate amount of the donations made which are subject to overall limit of 10% of AGTI.
   b) And find out the 10% of AGTI
   c) The lower of the two would be one of the deductible for Sec. 80G.

**STEP 4 –**

The amount of deduction u/s 80G would be:
   a) Aggregate of all the deductions not subject to overall limit of 10% of AGTI whether it be with it be with individual limit of 50% or 100%.

**AND**

   b) Aggregate of all the donation which are subject to overall limit of 10% of AGTI should not be exceed 10% of AGTI.
CONCLUSION

Direct taxes includes various taxes like income tax, gift tax, corporation tax etc. but tax on income can be considered as major source of income for the government. But for any assessee like individual, company, partnership firm of else, such deductions should be kept in mind while determining the ultimate tax liability so as to reduce the tax burden by performing within the four corners of the law.

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