UNIT 11 DEDUCTIONS FROM GROSS TOTAL INCOME

Structure

11.0 OBJECTIVES

After studying this Unit you should be able to :

- list the deductions available from gross total income;
- calculate the amount of each deduction; and
- compute the taxable income of an assessee after allowing such deductions.

11.1 INTRODUCTION

Indian tax laws contain certain provisions which are intended to act as an incentive for achieving certain desirable socio-economic objectives. These provisions ate contained in Chapter VIA and are in the form of deductions from the Gross Income. By reducing the chargeable income, these provisions reduce the taxable liability, increase the post-tax income and thus induce the tax-payers to act in the desired manner. This Unit is intended to give a broad idea of such deductions.

1 2 DEDUCTIONS FROM GROSS TOTAL INCOME

The first step in the computation of income is to work out the income under the individual heads of income. Computation under each head takes into account the expenditure incidental to earning such income. The aggregate of income under each head is known as "Gross Total Income". Certain deductions which are not necessarily referable to any particular head are allowed out of Gross Total Income to arrive at the Total Income liable to tax.

Total income is accordingly computed as under :

1) Income from Salaries		—
2) Income from House Proporty		—
3) Profit and Gains of Business and Profession		—
4) Income from Capital Gains		—
5) Income from other sources		—
Gross Total Income.	–	—
Less deduction under Chapter VI-A	(–)	—
Total Income ,		—

These deductions are discussed in 11.2 to 11.7 below.

11.3 DEDUCTIONS TO ENCOURAGE SAVINGS

These deductions are allowed if the tax-payer makes savings and invests it in specified areas. Some of these are based on gross amount of savings, which means that benefit allowed is not withdrawn when the saved amount is disinvested after the specified period. There are others which give tax benefit only on net savings. Deduction is allowed when the'saving is deposited/invested but any withdrawal/disinvestment is treated as income in the year of withdrawal. Thus only the net saving gets tax benefit.

Deductioq is also allowed in respect of income from certain investments.

11.3.1 Based on Gross Amount of Savings

I. In respect of Life Insurance Premium etc. (Sec. 80-C)

This section provides for'deduction in respect of the undermentioned payments and contributions :

a) Payments in respect of life insurance premia;
b) Payments made to effect or keep in force a contract for deferred annuity;
c) Contribution to a Recognized Provident 'Fund;
d) Subscriptions to the Public Provident Fund Scheme;
e) Deposits under Post Office Savings Bank (Cumulative Time Deposits) Rules 1959;
f) Contributions to an Approved Superannuation Fund;
g) Contributions for participating in the Unit-linked Insurance Plan;
h) Subscriptions to National Saving Certificate;
i) Deposits with the National Housing Bank;
j) Payments in respect of purchase or contruction of a residential house.

The deduction, however, is admissible subject to the limits of the amount qualifying for the same and certain conditions laid down tin the sections, In case of authers, playwrights, artists, mucians, actors or sportmen including athelectes, the limit of amount qualifying for the deduction is Rs. Rs. 60,000 or sums actually paid, whichever is least.

In case of other individuals and Hindu Undivided, families this limit is Rs. 40,000.

Quantum of deduction : The quantum of deduction in respect of the qualifying amount is :

at 100% on the first 6,000

at 50% on the next 6,000 and
at 40% on the balance of the qualifying amount.

Switch over to system of Granting Tax Rebate

The above mentioned system of granting deduction, on a slab basis is applicable upto the assessment year 1990-91. For Assessment year 1991-92 and onwards there is a switch over to a system of granting tax rebates. Thus under the new provisions the tax liability of the assessee will be computed and a tax rebate of 20 per cent of the qualifying savings would be allowed.

The maximum tax rebate admissible is Rs. 10,000 generally. However, in case of authors, playwrights, artists, mucians, actors or sportmen the limit is Rs. 14,000.

Conditions for deduction

As stated earlier these deductions are available subject to certain conditions. These are discussed below :

a) **For Life Insurance Premium:** Payments made on account of Life Insurance Premium would be eligible for deduction/rebate if:

   i) the insurance premium is paid in order to effect or keep in force an insurance on the life sf the assessce, his/her spouse or child.

   ii) the premium paid in excess to 10% of the capital sum assured does not qualify for deduction.

   iiij where the tax payer terminates a policy of Life Insurance before paying premium for 2 years, no deduction will be allowed in respect of premium paid in the year in which the policy is terminated. Further the arnount of deduction allowed in respect of premium paid in the preceding year will be deemed Io be income of the year in which the policy is terminable.

b) **Payments for deferred annuities:** Any sum paid in order to effect or keep in force, a contract for deferred annuity provided such contract does not contain a provision for an option to be the insured to receive a cash payment in lieu of the payment of annuity.

   i) in case of an individual on his own life or the life of his spouse or child,

   It is important to note that the restruction in respect of sums paid in excess of 10% of capital sum assured does not apply to deferred annuity policies.

c) **Contribution to recognised provided fund:** Where the assessee is an employee participating in a rccognised provided fund, his own contribution to the fund shall be deductible upto one-fifth of his salary. 'Salary' for this purpose includes dearness allowance if the terms of employment so provide but it does not include any other allowance or 'Perquisites'.

d) **Subscription to the Public Provident Fund Scheme:** This scheme was introduced by the Government for the benefit of self-employed persons such as doctors, lawyers ktc. in particular. Under it an individual may subscribe to the fund on his own behalf and also on behalf of a minor ward.

   The salient features of the scheme are —

   i) An account can be opened at any branch of State Bank of India and its subordiante or at any head Post Office or at some related branches of other nationalised banks.

   ii) Subscription may be of any amount not less than Rs. 100 and not more than Rs. 60,000 in every financial year.

   iii) Loans from the funds are permitted in or after the third year of opening the account; of an amount up to 25% of the balance to the credit of the assessee at the end of the 2nd preceding financial year. Interest is charged at 13% and the loan is repayable in 24 months.

   iv) Withdrawals are also permitted 'every year between the 6th arid 15th year of an amount not exceeding 50% of the balance to the credit of the assessce at the end of the 4th year immediately proceding the yegr of withdrawal or at the end of the preceding year whichever is lower.

   v) A person can continue his account after 15 years with or without fresh subscription for a block period of 5 years.

e) **Deposits in 10 years or** 15 years account under the **Post Office Savings** Bank **(Cumulative Time** Deposits) Rules 1959: The minimum deposit under this scheme is Rs. 10 with multiples of Rs. 5 and the maximum limit is Rs. 1,000 per month. A loan up to 50% of the balance is permitted twice in a period of 10 years. An individual can make deposit in more than one account e.g. in the name of the wife, children, etc.

f) Contribution to an approved superannuation fund by an employee qualifies for deduction.

g) Contribution for participating in the Unit linked insurance plan: Any sum paid by an individual as contribution for participation in the Unit Linked Insurance Plan, 1971 of the Unit Trust of India qualifies for deduction. It is important to note, however, that if a member terminates his participation before making contribution for a period of 5 years, no deduction will be allowed in respect of contribution made in such year. Besides, an aggregate of deduction allowed in respect of contribution to the plan in past years will be included in the total income of the previous year in which he terminates his participation in the plan.

h) Subscription to National Savings **Certificates:** This deduction is available to individuals and H.U. Funds subscriptions to NSCs VIII issues carry an interest of 12% per annum.

i) Deposits with National Housing Bank with effectfrom the A.Y. 1990-91, any sum paid as subscription to any deposit scheme of the National Housing Bank is also deductable.

j) Payments in respect of purchase or construction of a residential **house:** This provision has been introduced w.e.f. the assessment year 1988-89 onwards. Any sum paid (up to a maximum of Rs. 10,000) by an individual or a HUF for the residential house property the construction of which is completed after 31.3.1987, are eligible for deduction, provided such payments are made towards or by way. of :

   i) any instalment of amount due under any self-financing or other scheme of any development authority or housing board engaged in the construction and sale of house property on ownership basis, or

   ii) any instalment or part payment of the amount due to any company or cooperative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him, or

   iii) re-payment of the amount borrowed by the assessee from
      a) the Central Government or any State Government, or
      b) any bank, including a cooperative bank, or
      c) the Life Insurance Corporation, or
      d) the National House Bank, or
      e) any public company formed and 'registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purpose and approved in this regard, or
      f) any,compgny in which the public are substantially interested or any cooperative society, where such company or cooperative society is engaged in the business of financing the construction of houses, or
      g) the assessee's employer where such employer is a public company or a public sector company or a University established by law or a college 'affiliated to such a University or a local authority.

   iv) Stamp duty,. registration fees and other expenses for the purpose of transfer of such house property to the assessee.

There **are** however, **certain payments which** are not eligible for **deduction.** They include :

i) admission fees, cost of share or initial deposit paid by a shareholder of company or a member of a cooperative society to become such shareholder or member, or

ii) Cost of the land, except where the construction for the purchase of the house property is a composite amount and the cost of land cannot be ascertained separately, or

iii) **Cost** of any addition or alteration to or renovation or repair of the house property which is carried out after the house property or any part thereof has either been occupied by the assessee, or

iv) any expenditure in respect of which deduction is allowable while computing income from house property u/s 24.

The house property for which deduction is so claimed must not be transferred by the assessee before a period of 5 years from the possession of the same. If he docs so the deduction allowed will be added back as income from other sources in the previous year in which the transfer takes place.

Look at Illustration 1 and see how amount for deduction u/s 80-C is calculated :

Illustration 1

An individual who has a gross total income of Rs. 1,00,000 makes following payments:

i) Life Insurance premium on a policy of Rs. *30.000*	4.000
ii) Contribution to Statutory Provident Fund	24,000
iii) Repaid loan in respect of residential house constructed in 1988.	15,000
iv) Purchased National Savings Certificates VIII Issue	10,000

Solution

i) The qualifying amount is restricted to 10% of the policy amount	3,000
ii) Contribution to P.F.	24,000
iii) Qualifying amount in respect of such payment is restricted to 10,000	10,000
iv) Purchase of N.S.C. VIII Issue	10,000
	47,000

The overall qualifying amount is restricted to 40,000. Hence, only 40.000 will qualify for deduction at the following rate:

First *6000*	—	100%	**6,000**
Next **6000**	—	50%	3,000
Balance 28,000	—	40%	11,200
			20,200

The total income will be —

Gross Total income	1,00,000
Less deduction u/s 80-C	20,200
	79,800

N.B.—The above position is applicable to assessments up to the assessment year 1990-91. With effect from assessment year 1991-92, there will be no deduction in respect of such payments and the tax will be worked out on the total income (without any deduction for such payments). The lax so worked out will be reduced y 20% of the overall qualifying amount which has been raised to Rs. 50,000 and the balance amount will be the net tax payable. In the above example, tax will be worked out on 1,00,000 which for 1091-02 will be Rs. 27,600. Out of this. 20% of Rs. 47,000, i.e. Rs. 0,400 will be deducted leaving Rs. 18,200 (plus surcharge) as tux-payable.

II. In Respect **of** Investment in Certain New Eligible Shares **(Sec.** 80-CC)

1) **Deduction** equal to 50% of the total investment is allowed in respect of—

   i) equity shares forming part of any eligible issue of capital and

   ii) Units of Unit Trust of India or any other Mutual Fund Issued under a Scheme in which the amount of subscription is used for subscribing only the equity shares of the type referred in (i) above.

2) 'Eligible issue **of** Capital means on issue which satisfies following conditions —

   i) It is made by a company formed and registered in India which is engaged in construction or manufacturing of articles (not being non-priority articles in eleventh schedule) or providing long-term finance for residential houses or a hospital or a hotel or operation of ships.

   ii) The issue is made by the company for the first time. (This condition does not apply in the case of issues made by shipping companies.)

iii) The issue is offered for subscription before 1.4.1990.

3) The qualifying amount for such deduction is restricted to Rs. 20,000 and the amount of deduction at the rate of 50% is thus restricted to Rs. 10,000.

N.B.—The above position is applicable up to assessment year 1990-91 only. With effect from the assessment year 1991-92, the system of deduction from Gross Total Income will be replaced by deduction from the tax chargeable on income computed before allowing such deduction, The qualifying amount of deduction will he Rs. 25,000 and the deduction from tax will be allowed of an amount calculated at 20% thereof. This means that the credit in tax on this account will be restricted to Rs. 50,000.

For assessment year 1991-92, the issue will be considered as an eligible issue if offered for subscription before 1.4.1991 (in place of 1.4.1990 for earlier assessment years—Please refer to condition in para 2(iii))

Check Your Progress A

a) An individual purchased a life insurance policy for Rs. 1,00,000 maturing after 5 years. Annual premium payable is Rs. 20,000.

   i) What will be the qualifying amourrt of deduction available for the assessment year 1990-91? Rs. ____________

   ii) What will be relief for assessment year 1991-92. presuming he has not made any other saving? Rs. ____________

b) An individual paid a premium of Rs. 3,000 on a life policy of Ms. 1,00,000 and contributed Rs. 24,000 towards a Recognised Provident Fund. He purchased National Savings Certificates VIII issue of Rs. 10,000 and subscribed Rs. 12,000 to the Home Loan Scheme of National Housing Bank. What will he the deduction admissible for the assessment year 1990-91? Rs. ____________

c) An individual, a government employee completed construction of a residential. property in. April, 1988. He had taken a house building advance of Rs. 2,50,000 from the Government for which a deduction of Rs. 2000 per month is being made from his salary. What will the total income for the assessment year 1990-91 if the gross total income from all sources is Rs. 90,000. Rs. ____________

d) An individual whose gross total income is Rs. 78,000 purchased 'Can XCCC UNITS (Units of Canara Bank, the proceeds of which is required to be invested in new eligible issues only) of the value of Rs. 25,000, He contributed Rs. 200 per month to the Public Provident Fund.

   Find out his total income for the year 1990-91.

11.3.2 Based on Net Savings

I. In Respect of Deposits in National Saving Scheme etc. (See. 80-CCA).

Deduction is allowed in full in respect of the following deposits/payments in the year of such deposits/payment:

i) deposit in accordance with the notified National Savings Scheme.

ii) payment towards a notified annuity plan of the, Life Insurance Corporation of India. (So far the 'Jiwan Dhara' and 'Jiwan Akshy' plan of the LIC has been notified.)

The qualifying amount for such deduction is
For assessment year 1988-89 actual or Rs. 20.000 whichever is less

For assessment year 1989-90	-do-	Rs. 30,000	-do-
For assessment year 1990-91	-do-	Rs. 30,000	-do-
For assessment year 1991-92 and subsequent years	-do-	Rs. 40.000	-do-

The interest accrued on the deposits shall not be chargeable to tax from year to year.

Whenever any amount in respect of which deduction was allowed in the year of deposit is withdrawn, the amounts together with interest withdrawn by the tax-payer is treated as the income of the tax-payer of the year in which withdrawal is made and, charged to tax along with other income at the normal rate applicable to him. If, however, the tax-payer dies without making the withdrawal and the withdrawal is made by his legal representatives, the withdrawal having not been made by the tax-payer himself will not be charged to tax. With effect from the assessment year 1991-92 if the deposit was made by the HUF and the HUF is partitioned, the individual member who makes the withdrawal will be taxed in respect of the amount withdrawn by him. The same rules are applicable when the amount'of annuity is received from the LIC under a policy in respect of which deduction was allowed when payment was made by the tax-paycr.

II. In Respect of Investment in Equity Linked Savings Scheme (Sec. 80-CCB)

Where an individual or a HUF acquires Units of Unit Trust of India or any other recognised mutual fund under any plan which is formulated under the notified equity linked saving scheme. he shall be entitled to full deduction in respect of such investment subject to the maximum of Ms. 10,000.

As in the case of deposit under National Savings Scheme, whenever any such investment is returned to the assessee in whole or in part either by way of repurchase of the unit or on termination of the plan in any previous ycar, the entire amount (including the accretion) received back will be charged to tax as the income of the previous year in which it is received.

If in the meantime, a partition is made in the HUF or dissolution takes place in the. AOP (Association of Persons) which initially made the investment, the return of investment will be taxable in the hands of the person who takes it.

11.3.3 Based on Income from Specified Investments (Sec. 80-L)

Deductions, subject to the monetary limit specified in para 2 below is allowed in respect of following investment income —

i) Interest on any security of Central Government or State Government.

ii) Interest on notified debentures issued by certain authorities.

iii) Interest on National Savings Certificate VI and VII Issues.

iv) Interest on deposits under any notified Scheme of the Central Ciovernemnt.

v) Interest on deposits under Post Office (Monthly Income Account) Rules, 1987,

vi) Interest on deposits with Banking companies including co-operative banks.

vii) Interest on deposits with financial institutions providing long-term finance for industrial development approved for the purpose of Section 36(1)(viii).

viii) Interest on deposits with authority constituted for satisfying the housing needs etc.

ix) Interest on deposits with co-operative societies.

x) Dividend on shares of co-operative societies.

xi) Interest on deposits with or dividend from shares of a public company providing long-term finance for construction or purchase of residential houses and which is approved for the purposes of Section 36(1)(viii).

xii) Income from Units of recognised Mutual Funds.

xiii) Income from Units of Unit Trust of India.

xiv) Interest on deposits under National Deposits Scheme framed and notified by the Central Government.

xv) Dividend on shares of Indian companics.

The deduction is limited in the aggregate to Rs. 7,000.

However, if the Gross Total Income includes Items (xi), (xii) and (xiv) an additional deduction can be allowed in respect of these amounts to the extent deduction in respect of such income is not fully allowed within the limit of Rs. 7000. Such additional deduction will not exceed Rs. 3000.

Further if deduction in respect of income from interest on deposits under National Deposit Scheme and dividend from shares of Indian companies is not fully allnwed within the above limits of Rs. 7000 and Rs. 3000 a further additional deduction can be allowed to the dxtcnt of unallowed position. This further additional deduction will not exceed Rs. 3000.

The net effect is that with properly planned investment, one can get a total deduction of Rs. 13.000.

Look at the Illustration 2 for clear understanding of deduction u/s 80 L.

Illustration 2

1) Interest on National Savings Certificate VI Issue	...	Rs. 4.000
2) Interest on deposits with Banks	...	Rs. 2,000
3) Interest on deposit with Housing Society [Item (xi)]	...	Rs. 2.000
4) Income from Mutual Fund	...	Rs. 500
5) Dividend from shares of Indian companies	...	Rs. 4.000
		Rs. 12,500

Solution

Following deduction will be allowed :

i) Overall general deduction	...	Rs. 7,000
ii) Additional deduction for 3 & 4 to the extent not met (2500–1000)*	...	Rs. 1,500
iii) Further additional deduction for 5 i.e. dividend to the extent not met or Rs. 3,000 whichever is less	...	Rs. 3,000
		Rs. 11,500

* **Note :** Deduction of Rs. 1,000 in respect of 3 & 4 has already been included in Rs. 7,000.

Check Your Progress B

a) A Professor having Gross Total Income of Rs. 80,001) has kept his saving made out of this income in following:

1) .Paid Life Insurance Premium	...	Rs. 5,000
2) Repaid loan for construction of property (completed in Junk 1987)	...	Rs. 15,000
3) Contributed to Recognised Provident Fund 10% of salary	...	Rs. 6,000
4) Deposited under the National Saving Scheme	...	Rs. 9,000

Find out the total income for 1990-91.

b) A person deposited Rs. 20,000 on 30.3.1988 under the National Saving Scheme and got deduction in the year 1988-89. What will be the tax treatment if

i) he withdraws Rs. 10,000 in June 1992 when the balance in the account including interest and further deposit is Rs. 32.000.

ii) he dies in September 1990 and the balance in the account is withdrawn by his son in June, 1992.

c) An individual's gross total income of Rs. 50,000 includes —

i) Interest from fixed deposit with Hank	...	Rs. 3,000
ii) Interest from National Saving Certificates VI issue	...	Rs. 3,000
iii) Interest from Tata Chemicals	...	Rs. 2,000
v) Dividend from Indian Companies	...	Rs. *3,000*
v) Income from UTI	...	Rs. 5,000

Is any deduction admissible to him? What will be his total income for 1990-91?

11.4 DEDUCTIONS FOR CERTAIN PERSONAL EXPENDITURE

Under Section 80-D, 86-DD and 80-GG of IT Act 1961 some deductions are allowed in respect of personal expenditure. Let us now discuss these three sections one **by** one. ,

11.4.1 For Medical Tkeatment (Sec. 80-D)

beduction is allowed in respect of any sum paid out of chargeable income by cheque towards an insurance policy taken on the health of the assessee or his wife/husband or dependent parents or dependent children.

The deduction is subject to a maximum amount of Rs. 3,000, provided the scheme for insurance is framed by GIC and approved by Central government under Section 80-D the Income Tax Act 1961.

11.4.2 Maintenance of Handicapped Dependents (Sec. 80-DD)

Deduction is allowed to a resident individual in respect of expenditure incurred for medical treatment (including nursing), training and rehabilitation of a handicapped relative who is dependent upon him and is not dependent on any other person for support or maintenance. A handicapped relative means a relative who is suffering from permanent physical' disability (including blindness) or who is subject to mental retardation. They should be of the nature specified in I.T. Rules and should be certified as such by a physician, a surgeon. an oculist or a psychiatrist working in a government hospital. Further, it should have the effect of reducing considerably such persons capacity for normal work or engaging in gainful employment or occupation.

The deduction will be allowed of a fixed sum of Ks. 0,000. This deduction is irrespective of actual expenditure.

It applies from the assessment year 1991-92.

Deduction is not admissible in cases where the total income before ticduction under this section exceeds Rs. 1 lakh.

11.4.3 For Payment of House Rent (Sec. 80-GG)

Deduction is allowed to an assessee in respect of payment of rent of the premises occupied by him for his own residence. This deduction is permissible of an amount by which the rent paid exceeds 10% of the total income.

Thus, if total income is Rs. 50,000 and rent paid is Rs. 7,000, permissible deduction will be 7,000 — 10% of 50,000, i.e. Rs. *2.000.*

But even the amount calculated as above is restricted to —

i) Rs. 1000 per month or
ii) 25% of total income whichever is less.

Thus, in the above case if the rent paid was Rs. 20,000, the excess over 10% of total income would have been Rs. 15,000 which would have been further restricted to Rs. 1,000 per month, i.e. Rs. 12.000.

This deduction is not allowable to an employee getting house rent allowance from his employer, the exemption in respect of which is governed by the provisions of Section 10(13A).

Total income for this purpose means the gross total income reduced by all the deductions under this Scction,

Check Your Progress C

Indicate whether any deduction is admissible. Also quantify the amount of deduction :

a) 1) An expenditure to meet cost of children's education

2) An expenditure to meet cost of medical treatment

3) Premium paid for life insurance on the life of
   i) Self
   ii) Wife/Husband
   iii) Minor Son
   iv) Dependent Mother

4) Premium in respect of medical insurance on the health of
   i) Self
   ii) Wife/Husband
   iii) Dependent Son

iv) Independent Son
v) Dependent Father
vi) Dependent Sister

5) Sum spent on treatment of
   i) handicapped dependent sister
   ii) handicapped dependent sister-in-law

6) Sum spent for purchase of books required for employment

7) i) Rent paid for a house belonging to wife
   ii) Rs. 6,000 paid as rent by one whose total income is Rs. 75,000
   iii) Rent paid for house in respect of which house rent allowance is admissiable.

b) An individual whose gross total income is Rs. 50,000 and who is entitled to a deduction of Rs. 10.000 under Section 80-C. 80-CC incurred an expenditure of Rs. 1.500 per month on house-rent. Is he entitled to any deduction. If yes, how much?

c) An individual who has a permanently physically handicapped brother totally dependent upon him incurs an expenditure of Rs. ***3,000*** on his treatment.
   i) Is he entitled to any deduction? If so, what is the amount of deduction?
   ii) How much deduction he would have got if he had another handicapped dependent relative and incurred expenditure on the treatment of both.

11.5 DEDUCTIONS FOR ENCOURAGING VOLUNTARY PARTICIPATION IN CHARITABLE AND SOCIALLY DESIRABLE ACTIVITIES

The Income Tax Act, 1961 also allows certain deduction for the contribution made,' in the charitable and socially desirable activities. These arc explained in Section HOG and 80-GGA.

11.5.1 Contribution to Charitable Trusts/Associations/Societies (Sec. 80-G)

1) Contribution made to following trusts, associations or societies qualify for deduction —
   i) National Defence Fund
   ii) Jawaharlal Nehru Memorial Fund
   iii) Prime Minister's Drought Relief Fund
   iv) Prime Minister's National Relief Fund
   v) Prime Minister's Armenia Earthquake Relief Fund
   vi) National Children's Fund
   vii) Indira Gandhi Memorial Trust
   viii) Any other fund or institution to which Section 80-G applies
   ix) Government or any local authority to be utilised for charitable purpose other than promotion of family planning
   x) Housing authorities mentioned in Section 10(20A)
   xi) Government or such local authority, institution or association as arc approved if the payment is for promoting family planning
   xii) For renovation or repairs of such temple, mosque, guardwara, church etc. as are notified to be of historic, archaeological or artistic importancc.

2) The deduction will be 100% of the qualifying amount in respect to payments mentioned in (iv)', (v) and (xi) and 50% of the qualifying amount in respect of the rest.

3) The qualifying amount will be determined as under :
   i) If the aggregate of the amount paid is less than Rs. 250, no deduction will be allowed.
   ii) If the aggregate of items refcrrcd in items (viii), (ix), (x), (xi) and (xii) exceeds 10% of the Gross Total Income (as reduced by all deductions except this one) the aggregate qualifying amount for these items will be restricted to 10%.

4) Regarding item mentioned in (viii), i.e., contribution to any other fund or institution to which this section applies, it is necessary that the fund etc. should comply with following conditions :

i) the income of such fund, institution etc, should be exempt by reason of its charitable other provisions exempting income viz. educational institutions [10(22)], hospitals etc., [10(22A)], sports associations [10(23)], Regimental Fund established by Armed Forces [10(23AA)] or other funds mentioned in Section 10(23C);

ii) the rules should not permit application on transfer of any part of income or asset for any purpose other than charitable purposes;

iii) the institution etc. should not be for the benefit of any particular community;

iv) the institution etc. should maintain regular accounts of income and expenditure;

v) the institution etc. should be constituted either as a public charitable trust or registered under Societies Registration Act or under Section 25 of Indian Companies Act or should be a University established by law or should be any other educational institution recognised by or affiliated to any University or an institution appproved for the purpose of Section 10(23C) or an institution financed by the Government or local authority.

Look at Illustration 3 and see how the amount of deduction u/s 80G is regulated.

Illustration 3

A person with gross total income of Rs. 80,000 for the assessment year 1990-91 is entitled to deduction of Rs. 10,000 (under Section 80-C) for life insurance premium etc. Further he made following donations:

i) to National Defence Fund	1,000
ii) to Prime Minister's National Relief Fund	2,000
iii) to a charitable hospital whose income is not to be taxed under Section 11	5,000
iv) to an educational institution whose income is exempt u/s 10(22)	5,000
	13,000

Solution

Qualifying Amwnt

i) National Defence Fund	1,000
ii) Prime Minister's National Relief Fund	2,000
iii) charitable hospital and	7,000
iv) educational institution 10% of (80,000–10,000)	70,000
	10,000

Deduction

i) 50% or 1,000	500
ii) 100% or 2,000	2.000
iii) & iv) 50% of 7,000	3,500
	6,000

Total Income

Gross Total Income	80,000
Less deduction u/s 80-C	10,000
	70,000
Less deduction u/s *80-G*	6,000
	64,000

11.5.2 Contribution to Certain Approved Institutions (Sec. 80-GGA)

1) Deduction is allowed in respect of—

   a) Contribution to an approved scientific research association or to an approved University, College or other Institution to be used for scientific research.

   b) Contribution to an association or institution having the object of undertaking an approved programme of rural development.

   c) Contribution to an approved association or institution having the object of undertaking an approved programme of conservation of natural resources or afforestation.

   d) Contribution to notified fund for afforestation.

   e) Contribution to notified Rural Development Fund.

   f) Contribution to an association or institution which has as its object the training of persons for implementing programmes of rural development.

2) These deductions are not to be allowed to an assessee deriving income from business or profession. In his case, these contributions are allowed in the computation of the business income.

Check Your Progress D

a) How much deduction is admissible u/s 80-G in each case to a salaried employee presuming that no other donation is made and the total income before such deduction is Rs. 50,000.

		Deduction
i)	Rs. 10,000 to National Defence Fund	... Rs. ________
ii)	Rs. 10,000 to Prime Minister's National Relief Fund.	... Rs. ________
iii)	Rs. 7,000 to the institution for promotion of family planning	... Rs. ________
iv)	Rs. 6,000 for renovation of mosque notified as of historic importance	... Ra. ________
v)	Rs. 200 for Adarsh Vidyalaya whose income is not taxable under Section 10(22)	... Rs. ________
vi)	Rs. 2,500 for Cancer Society of India lo which Section 80-G applies	... Rs. ________

b) How much deduction is admissible in respect of the following:

i)	Rs. 1,000 to an approved University for scientific research	... Rs. ________
ii)	Rs. 2,000 to an institution set up for rural development for carrying out an approved rural development programme approved having been granted in 1982	... Rs. ________
iii)	Rs. 3,000 to Rural Development Fund	... Rs. ________

What will be the position if these payments were made by a doctor having independent private practice?,

c) Work out the taxable income for the assessment year 1990-91 from the following:

   1) Income under the head 'Salary' Rs. 43,000
   2) Income under the head 'Other Sources' Rs. 8,000
   3) Income under the head 'Other Sources' includes Rs. 3,000 interest from the Bank, Rs. 3,000 income from UTI and Rs., 2,000 interest from Reliance Industries
   4) He deposited Rs. 5,000 under the National Savings Scheme
   5) He contributed Rs. 700 per month to a Statutory Provident Fund
   6) Donated Rs. 700 to Blind Relief Society to which provisions of Section 80-G apply.

11.6 DEDUCTIONS FOR ECONOMIC GROWTH

In order to encourage the new industrial units for the overall balanced economic growth of the country, the IT Act 1961 allows certain deductions. These deductions are as follows:

11.6.1 For Setting up New Industrial Units Anywhere (Sec. 80-I)

1) Deduction is allowed out of income from a new industrial undertaking at the following ratks:

   i) If the industrial undertaking begins to manufacture or produce articles or operate cold storage prior to 1.4.1990 ... 20% of the profit

   ii) If these operations start on or after 1.4.1990 ... 25%

2) These deductions are allowed in the initial year in which the industrial undertaking begins production and the following seven years. In effect, therefore, the deduction is allowed in 8 assessment years.

   If, however, these operations commence on or after 1.4.1990, the deduction will be allowable for initial years and the following nine years. This means that deduction will be allowed for 10 assessment years.

3) Deduction is allowed only to those undertakings which fulfil all the following conditions:

   a) the new undertaking is not formed by the splitting up or reconstruction of already existing business;

   b) it is not formed by transfer to a new business of machinery or plant previously used for any purpose. This condition will not apply in the case of second-hand imported machinery which at no time was used in India and in respect of which no depreciation was allowed or allowable in India. This condition will also not apply if the total value of transferred machinery or plant does not exceed 20% of the total value of machinery or plant used in that business;

   c) the new undertaking begins operating at any time within a period of fourteen years next following the 31st day of March, 1981;

   d) the new undertaking, if it is not a small scale industrial undertaking, produces any article other than those mentioned in Eleventh Schedule (Eleventh Schedule consists of non-priority items such as cigarettes, liquor, cosmetics etc.).

   e) the new undertaking employs ten or more workers if the manufacturing process is carried on with the aid of power and twenty or more workers if the process is carried on without the aid of power.

11.6.2 For Setting up New Industrial Units in Backward Areas (Sec. 80-WW)

1) Deduction is allowed out of profit from an industrial undertaking or hotel set up in any backward area at the rate of 20% of such profit for a period of ten years beginning with the year in which the industrial undertaking begins manufacture or hotel starts functioning. Backward area means such area which has been notified by the Central Government as backward area having regard to its stage of development.

2) This deduction applies only to those undertakings which fulfil the following conditions:

   i) it begins to manufacture or the hotel begins to function after 31st December, 1970;

   ii) it is not formed by splitting up or the reconstruction of a business already in existence in any backward area;

   iii) it is not formed by the transfer to'a new business of machinery or plant previously;

   This condition will not apply if the total value of transferred machinery or plant does not exceed 20% of the total value of machinery or plant used in the business;

iv) it employs at least ten workers if the manufacture is with the aid of power and at least twenty workers if the manufacture is without the aid of power:

y) in the case of hotels, they should be approved for the purpose by the Central Government.

3) If the industrial undertaking is also a small scale undertaking set up in a rural area and has claimed deduction under Section 80-HI-IA (to he discussed later in 11.5.3), this deduction will not be allowed.

4) This deduction will not be allowed in respect of undertakings or Hotels beginning manufacture (in the case of hotels starting to function) on or after 1st April, 1990. This means that the deduction has been discontinued in respect of undertakings/hotels coming into existence now.

11.6.3 For Setting up Small Scale Units in Rural Areas (Sec. 80-HHA)

1) This deduction is allowed out of profits and gains of new small scale industrial undertaking set up in rural areas. The undertaking should be one which begins to manufacture after 30th September 1977 and which complies with all other conditions which are laid down for the undertakings qualifying for deduction under Section 80-HH (Refer 11.5.2—Para 2).

2) This deduction is also admissible for a period of ten previous years beginning with fhe previous year in which the industrial undertakings begin to manufacture or produce articles. The amount of deduction is 20% of the profits or gains derived from such undertaking.

3) If, however, an undertaking qualifies for deduction under Section 80-HH (applicable to undertakings in backward areas) also and claims deduction under that Section, no deduction will be allowed under this Section.

4) This deduction will not be allowed if the undertaking begins to manufacture articles on or after 1st April, 1990.

11.6.4 For Encouragement to Poultry Farming (Sec. 80-JJ)

Deduction is allowable out of profit and gains of the business of poultry farming at the rate of 33$^1/_3$% thereof.

This deduction is allowable for and from the assessment year 1990-91.

11.7 DEDUCTIONS IN RESPECT OF EARNINGS IN FOREIGN EXCHANGE

There are certain deductions which are allowed in order to boost exports and earn foreign exchange. These are explained u/s 80-HHB, 80-HHC, SO-HHD, 80-HR, 80-HRR, 80-HRRA.

11.7.1 In Respect of Income from Project Exports (Sec. 80-HHB)

1) This deduction is allowable only to an individual who is resident in India.

2) The deduction is allowable out of the profits and gains derived from the business of—

   a) execution of foreign project, or

   b) execution of any work forming part of a foreign project undertaken by any other person.

   In both the cases, the contract should be with the foreign government or any foreign authority or agency or a foreign enterprise.

3) The amount of allowable deduction is 50% of the profits and gains from the execution of such projects/work.

4) The deduction is allowable only if the consideration for execution of such project/work is payable in convertible foreign exchange.

5) The deduction is allowable subject to the fulfilment of following conditions:
   a) Separate accounts for such projects/works should be maintained and got audited by a Chartered Accountant.
   b) A reserve of an amount equal to 50% of the profit from such projectlwork should be created by credit to 'Foreign Projects Reserve Account' This reserve should be utilised in the next five years for the purposes of the business but not for distribution by way of profit. If the amount is utilised within five years for any other purpose or for distribution as profit, the deduction shall be considered to be wrongly allowed and the assessment shall be rectified to withdraw such deduction.
   c) At least 50% of the profits or gains from such project/work should be actually brought in India in convertible foreign exchange within six months of the end of the previous year. If, for unavoidable reasons, it is not possible to do so, the Commissioner/Chief Commissioner can extend this time.

   Where the amount credited to Foreign Project Reserve Account--or the amount actually remitted to India is less than 50% of such profits the deduction is restricted to the amount credited or actually brought into India whichever is less.

11.7.2 In Respect of Income from Export of Goods or Mercandise (Sec. 80-HHC)

1) This deduction is allowable only to an individual who is resident in India.
2) The deduction is allowable out of profit derived from the export of goods or mercandise. It, however, does not apply to profit derived from export of (i) mineral oil, and (ii) minerals and ore.
3) Up to the assessment year 1990-91 the deduction allowable is of the entire profit derived from export. For this purpose, the profit derived from export is to be computed as under:
   a) If the assessee's turnover is from export only, the entire profit computed under the head "Profits and gains of business or profession" will be the profit derived from export.
   b) If only part of the total turnover is from export the proportionate amount of profit computed under the head "Profit and gains of business and profession" will be the profit derived from export.

i) Domestic Sales	10,00,000
ii) Export Sales	20,00,000
	30,00,000

   and the total profit under the business head is Rs. 3,00,000, the profit derived from export will be

   $$3,00,000 \times \frac{20,00,000}{30,00,000} \text{ i.e., Rs. } 2,00,000$$

4) With effect from the assessment year 1991-92, the amount of deduction depend upon the sale consideration brought in India. If the entire consideration for export turnover is brought into India in convertible foreign exchange within six months of the end of previous year or within such extended time as many be permitted by the Commissioner/Chief Commissioner, the entire profit computed in the manner described in Para 3 will be allowed as deduction.

   If, however, only a part of the total consideration is brought in India, only the proportionate amount will be allowed as deduction.

   Total Turnover shall not include:

   i) any sums receivable by an exporter by way of profit on sale of a license granted under the Imports (Control) Order 1955.
   ii) Cash received or receivable against export under any scheme of the governments assistance.

iii) Repayment of any duty of customs for example:

Profit derived from export (computed in the manner mentioned in para 3)	2,00,000
Export turnover	20,00,000
Convertible foreign exchange brought in India	15,00,000

The deduction will be limited to

$$2,00,000 \times \frac{15,00,000}{20,00,000} = \text{Rs. } 1,50,000$$

5) This deduction is also available to a supporting manufacturer who, instead of making a direct export himself, exports through an Export House or Trading House. In this case the Export House or Trading House should issue a certificate of disclaimer that they have in respect of such export turnover not claimed the benefit of Section 80-HHC. The benefit available to the Export House/Trading House will in such cases be proportionately reduced.

Illustration 4 will help you to clearly understand the provisions Section 80-HHC.

Illustration 4

'A' supporting manufacturer exports through B, a Trading House, goods of Rs. 2,00,000. The total turnover of 'A' is Rs. 10,00,000 and the business profit is Rs. 1,00,000.

The total export turnover of the Trading House 'B' is Rs. 20,00,000 and business profit is Rs. 3,00,000. The entire sale proceed is brought into India in convertible foreign exchange. 'B' issues a certificate disclaiming the turnover of Rs. 2,00,000 of goods manufactured by 'A'.

Solution

	Rs.	
Benefit available to 'A'		
Business Profit	1,00,000	
Profit attributable to export $\frac{1,00,000 \times 2,00,000}{10,00,000}$	20,000	
Deduction u/s 80-HHC	20,000	
Benefit available to 'B'		
Business Profit		3,00,000
Less on account of disclaimer i.e.,		
$3,00,000 \times \frac{2,00,000 \text{ (disclaimed T/o)}}{20,00,000 \text{ (Total export Tio)}}$		30,000
Deduction u/s 80-HHC		Rs. 2,70,000

11.7.3 In Respect of Earnings of Tour Operators and Hotels (See. 80-HHD)

1) The following deduction is allowable to resident person engaged in the business of approved hotels, tour operators or travel agents in respect of profit derived from services provided to foreign tourists :

   a) 50% of profit derived from services provided to foreign tourists, plus

   b) so much of the remaining 50% as has been debited to Profit and Loss Account and credited to a reserve account.

2) The amount transferred to reserve account has necessarily to be utilised within next five years for following purposes:

   a)-.construction of new approved hotels or expansion of facilities in existing approved hotels
   b) purchase of new cars and new coaches
   c) purchase of sports equipments for mountaineering etc.
   d) construction of conference or convention centres
   e) provision of such new facilities for growth of Indian tourism as may be notified by the Central Government.

For AY 1991-92 and onwards the amount brought in or received in Convertible Foreign Exchange (CFE) within 6 months from the end of PY will qualify for such deduction. It is further provided that the deduction will be restricted in the proportion as the receipt in CFE received in or brought in, if the reserve is utilised for any other purpose, it shall be deemed to be the profit of the year in which the amount was so utilised and shall be charged to tax. If the same remains unutilized in the next five years, the unutilized amount shall be deemed to be the profit of the sixth year and shall be charged to tax.

3) Profits derived from services provided to foreign tourists will be computed as under:

   a) In cases where the business consists exclusively of services to foreign tourists resulting in receipts in convertible foreign exchange, the entire profit computed under the head 'Profit and gains of business or profession'.

   b) Where only part of the total activities consist of services to foreign tourists resulting in receipt of convertible foreign exchange, only that part of the business profit which is in proportion to such receipts and total receipts.

For example:

The total receipt of hotel	...	1,00,00,000
Receipts in convertible foreign exchange	...	25,00,000
Profit from business	...	20,00,000

The amount would be calculated as follows:

The profit derived from services to foreign tourists will be $\frac{20,00,000 \times 25,00,000}{100,00,000}$

i.e., 5,00,000

Presuming that no reserve is created. the deduction will be 50% of 5,00,000 i.e., 2,50,000.

For AY 1991-92 and onwards the amounts brought or received in convertible foreign exchange (CFE) within 6 month from end of PY will qualify for such deduction, It is further provided that the deduction is restricted in the proportion in which the receipts in CFE received or brought in India bears to the total receipt of the tourist carried on by the assessee.

11.7.4 In Respect of Remuneration of Teachers, Professors etc. (Sec. 80-R)

An Indian citizen deriving remuneration for services rendered outside India in the capacity as a professor, teacher or research worker in any University or other educational institution established outside India is entitled to following deductions:

Up to assessment year 1990-91	...	50% of such remuneration for a maximum period of 36 months.
For and from assessment year 1991-92	...	50% of remuneration or 75% of such remuneration as is actually brought into India, whichever is higher. The condition of 36 months is no longer applicable.

11.7.5 In Respect of Income Earned by Artists, Authors and Playwriters (Sec. 80-RR)

An Indian resident deriving income from outside India in exercise profession of an author, playwright, artist, musician,. actor or sportsman (including an athelete) is entitled to deduction as under:

Up to assessment year 1990-91	...	25% of such remuneration if the same was brought into India
For and from assessment year 1991-92	...	50% of remuneration or 75% of such remuneration as is brought into India, whichever is higher.

11.7.6 in Respect of Income of Certain Technicians Rendering Services Abroad (Sec. 80-RRA)

1) An Indian citizen being a sponsored Central or State Government employee or a technician having specialised knowledge and experience in specified fields is entitled to deduction in respect of any remuneration from foreign sources.

2) The deduction will be of an amount equal to 50% of the gross remuneration or 75% of such remuneration as is brought into India, whichever is higher. Earlier such deduction is allowed for a maximum period of 36 months if the services were continuous but with effect from 1.4.91 this condition has been removed.

3) The deduction to persons other than the sponsored Central or State Government employees is allowed only if the terms and conditions of his services outside India are approved by the Central Government

11.8 DEDUCTIONS IN THE CASE OF TOTALLY BLIND OR PHYSICALLY HANDICAPPED RESIDENT PERSONS (SECTION 80-U)

A deduction of Rs. 15,000 is allowed to a resident individual who is—

a) totally blind, or

b) suffers from permanent physical disability specified in the rules which has the effect of substantially reducing his capacity to engage in gainful employment or occupation. or

c) subject to mental retardation to the extent specified in rules and which substantially reduces his capacity to engage in gainful employment or occupation.

11.9 LET US SUM UP

The scheme of computing taxable income under the Income Tax Act is to first compute income under each head. The aggregate of income under each head is known as 'Gross Total Income'. Out of gross total income certain deductions are allowed which are not for expenses incidental to earning the income but are of the nature of incentives aimed at achieving certain socio-economic goals through the instrumentality of taxation or provisions to mitigate hardships to tax-payers who have necessarily to incur certain personal expenditure. Such deductions are laid down in Chapter VIA. The income after such deductions is called 'Total Income' which forms the basis for income tax.

These deductions are either income-based or expenditure-based. Income-based deductions are dependent upon and are in relation to income of specified nature. such as, deduction in respect of income from investments (80-L), income of poultry farming (80-jj), profit of newly established industrial undertakings (80-HH, 80-HHA and 80-I), profit from export of goods or mercandise (80-HHC), profit from services to foreign tourists (80-HHD), income earned for services rendered outside India (80-R, 80-RR and 80 RRA) and income of a totally blind or physically handicapped person (see 80-U). Expenditure-based deductions are based on and computed with reference to the expenditurelinvestment of specified nature, viz., long-term savings (80-C), investment in new eligible equity issues (80-CC), deposit under National Savings Scheme (80-CCA), deposit under equity linked saving scheme (80-CCB), payment for medical insurance premia (80-D), payment as donation or contribution towards charity or purposes like scientific research, rural development and' conservation of natural resources (80-G, 80-GGA), payment for rent *(80-GG)* and expenditure on treatment of handicapped dependents (80-DD).

One important point to remember is that the total of all deductions under Chapter VIA cannot exceed the Gross Total Income. In other words, these deductions cannot result in 'Total income' being a negative figure, i.e., loss.

11.1 KEY WORDS

Deductions: Permissible amount under Chapter VIA by which the gross total income is reduced to arrive at the total income liable to tax.

Gross Total Income: Aggregate **of** income computed under each head of income

Total Income: Amount of income computed in the manner laid down in the Income Tax Act on which tax is charged.

11.11 ANSWERS TO CHECK YOUR PROGRESS

A) a) i) Rs. 10.000 (lirnited to 10%)

ii) Rebate in tax—Rs. 2,000 (20% of Rs. 10,000)

b) i)

L.I.P.	***3,000***
R.P.F.	24,000
N.S.C.	10,000
Home Loan Scheme	12,000
	49,000

Deduction for 1990-91 will be limited to the qualifying amnunt of Rs. 40,000 and will be calculated as under:

	6000	...	100%	=	Rs. 6,000
Next	6000	...	50%	=	Rs. 3,000
Balance	28000	...	40%	=	Rs. 11,200

c) The qualifying amount of deduction will be Rs. 10,000 and deduction will be computed as under:

First 6000	...	100%	=	6000
Balance 4000	...	50%	=	2000
				8000

The taxable income will bc 90,000 – 8,000, i.e. Rs. 82,000.

d)

Gross Total Income			Rs. 78,000
Less deductions			
U/s 80-C (100% of 2400)	2400		
U/s 80-CC (50% of *20000)*	10000		Rs. 12,400
		Total Income	Rs. 65,600

B) a) i)

Gross Total Income						Rs. 80,000
Less Deductions :						
U/s 80-C L.I.P.			5000			
Loan repaid (limited to)			10000			
R.P.F.			6000			
			21000			
6000	...	100%	–	6000		
6000	...	50%	–	3000		
9000	...	40%	–	3600	12600	
U/s 80-CCA (100% of 9000)					9000	Rs. 21,600
			Total Income for 1990-91			**Rs.** 58,400

b) i) Rs. 10,000 will be included in the total income in the assessment for the year 1993-94.

ii) Therc will be no tax-liability on the sum in respect of the amount withdrawn.

c) Gross Toal Income. Rs. 50,000

Less deductions :

U/s 80-C — Int. on N.S.C. deemed to be reinvested			3000	
U/s 80-L	i)	3000		
	ii)	3000		
	iii)	5000		
	iv) limited to	1000	12000	Rs. 15,000
			Total Income	Rs. 35,000

C) a) 1 No
2 No
3 i) Yes
ii) Yes
iii) Yes
iv) No
4 i) Yes—Upto Rs. 3000 in the aggregate
ii) Yes— -do-
iii) Yes— -do-
iv) No
v) Yes—Up to Rs. 3000 in the aggregate
vi) No
5 i) Yes—Rs. 6000 irrespective of actual expenditure
ii) No
6 No
7 i) No
ii) No
iii) No

b) Rent paid in excess of 10% of Rs. 40,000 is Rs. 14,000. Deduction will be 'limited to Rs. 10,000 being 25% of the total income allowing such deduction.

c) i) Yes—Rs. 6,000
ii) The deduction will remain Rs. 6000 only for both.

D) a) i) Rs. 5,000
ii) Rs. 10,000'
iii) Rs. 5,000 (qualifying amount restricted to 10% of Rs. 50,000)
iv) Rs. 2,500 -do-
v) No deduction as the amount is less than Rs. 250
vi) Rs. 1,250

b) i) Rs. 1,000
ii) Rs. 2,000
iii) Rs. 3,000

No deduction will be allowed if income is derived from 'business or profession'. It will be allowed while computing income under that head.

c)

Salary			Rs. 43,000
Other sources			Rs. 8,000
Gross total income			Rs. 51,000
Less deduction			
U/s 80-C—RPF	8,400		
6000 a 100%	6,000		
2400 a 50%	1,200		
U/s 80-CCA		7,200	
U/s 80-G		5,000	
U/s 80-L		350	
		6,000	18,550
		Total Income	32,450

11.2 TERMINAL QUESTIONS/EXERCISES

Questions

1) What is gross total income? How do you compute it?

2) Distinguish between
   a) allowable expenses and deductions
   b) deductions and rcbatc.

Exercises

1) 'X' a senior executive in Government has an income of Rs. 70,000 under the head 'Income from Salary'. He contributed Rs. 2000 per month to the statutory provident fund and purchased National Saving Certificates of Rs. 20,000. He has a son who is permanently handicapped. He contributed Rs. 2000 to the National Defence Fund.

   How would you complete his assessment for the year 1990-91.
   (Answer : Rs. 48,800)

2) 'X' is a Doctor who has an income of Rs. 1,20,000 from practise. During the previous year 1990-91 he deposited Rs. 30,000 under the National Savings Scheme and contributed Rs. 12,000 to the Public Provident Fund. He is living in a rented house for which he pays rent of Rs. 3000 per month.

   Work out his total income for the assessment year 1990-91.
   (Answer : Rs. 69,800)

3) 'X' has following income from his investment:

i)	Income from Units of Unit Trust of India	3000
ii)	Income from Units of State Bank Mutual Fund	2000
iii)	Interest from bank?	3500
iv)	Interest from National Savings Certificate	4500
v)	Divider l from Indian companies	2000
vi)	Interest on debentures of DCM Ltd.	1000

   Find out the total income for 1990-91 if his income from business is Rs. 80,000 including Rs. 10,000 profit derived from export.
   (Answer : Rs. 58,000)

4) 'X' has several business profit from which is as under:

i)	Retail cloth business	15,000
ii)	Poultry farming	45,000
iii)	New industrial unit which began to manufacture'articles in June 1990	60,000
		1,20,000

   He made a donation of Rs. 20,000 to a hospital income of which is exempt under Section 10(22A).

   Work out his total income for the assessment year 1990-91.
   (Answer : Rs. 84,750)

5) 'X' who suffers from a permanent physical disability (which has the effect-of reducing substantially his capacity to engage in a gainful employment) derives following income:

Pension	...	36,000
Interest from Bank	...	14,000
		50,000

   He contributed Rs. 6000 to Public Provident Fund. Find out his total income for 1990-91.
   (Answer : Rs. 23,000)

6) 'X' who is a citizen of India is employed as a professor in an University in USA and draw a remuneration in US $ which is equivalent to Rs. 4,00,000 in Indian rupee. He remitted an amount equivalent to Rs. 3,00,000 to India during the previous year 1990-91.

   Find out his total income for the assessment year 1990-91.
   (Answer : Rs. 2,00,000)

Note : These questions will help you to understand the unit better. Try to write answers for them, But do not submit your answers to the University. These are for your practice only.