

TAXBOOK⁺

Working steps of solutions

B21 to End

Deductions from GTI

Build Your Confidence (BYC)

DEDUCTIONS FOR CERTAIN INCOMES

B21. 80JJAA - CA2019(N) (modified) – MASTER QUESTION - M/s ABC and Co., a partnership firm, started its business.....

The firm is entitled to deduction u/s 80JJAA since it is liable to tax audit and has employed 350 employees during the year. Being the first year of its business, emoluments paid or payable to employees during the PY 2021-22 is eligible for deduction.

Computation of deduction u/s 80JJAA for AY 2022-23

Particulars	Beverage business	Leather business
Total number of employees employed during the PY	350	350
Less: Helpers who do not participate in RPF	(200)	(200)
Less: Technical staff whose emolument exceeds Rs. 25,000 p.m.	(25)	(25)
Less: Supervisors since they are employed for 212 days during the PY (less than 240 days for beverage business. However, if they continue to be employed for 240 days in next year, deduction can be claimed in the next year). Threshold is 150 days in case of leather business; hence not excluded.	(100)	-
Number of additional employees	25	125
Additional employee cost:		
Beverage business: 25 × 12 months × 22,000 pm (accounting and office staff)	66,00,000	
Leather business: (25 × 12 months × 22,000 pm for accounting and office staff) + (100 × 7 months × 25,000 pm for supervisors)		2,41,00,000
Deduction u/s 80JJAA = 30% of additional employee cost	19,80,000	72,30,000

B22. 80JJAA – Sadik carries on retail business in garments. During the PY 2021-22, the following movements happened.....

Sadik is entitled to deduction u/s 80JJAA since he is liable to tax audit as turnover is more than Rs. 1 crore (1 cr limit applies since cash receipts > 5%) and there is a net increase in number of employees over that on 31.3.2021.

Computation of deduction u/s 80JJAA for AY 2022-23

Particulars	Rs.
Number of employees employed as on 31.3.2021	50
Less: Number of employees resigned on 1.6.2021	(5)
Number of employees on 1.6.2021	45
Add: Number of junior managers employed on 1.7.2021	7
Add: General manager employed on 15.7.2021 (ineligible since emolument > 25,000 pm)	-
	52
Number of additional employees	2
Additional employee cost:	
2 × 9 months × 25,000 pm (junior managers)	4,50,000
Deduction u/s 80JJAA = 30% of additional employee cost	1,35,000

B23. 80QQB – Sarthak is a professional author of scientific books. Determine the deduction allowable to him for AY.....

Computation of deduction u/s 80QQB for AY 2022-23

Particulars	A	B	C
Gross royalty income	10,00,000	6,00,000	10,00,000
After ignoring gross income in excess of 15% of value of books sold (a)	7,50,000	6,00,000	-
After ignoring income not repatriated by 30.9.2022 (b)	-	4,80,000	-
Eligible income: Lower of (a) or (b); lump sum payment for Case C	7,50,000	4,80,000	10,00,000
Deduction u/s 80QQB = Lower of eligible income or Rs. 3 lakh	3,00,000	3,00,000	3,00,000

COMPREHENSIVE

B24. COMPREHENSIVE - CA2019(M) – Prakash is retired Government officer aged 65 years, resides in Cochin, and has.....

Computation of total income of Prakash for AY 2022-23

Particulars	Rs.	Rs.	Rs.
Income under the head 'Salaries':			
• Pension		6,70,000	
• Less: Standard deduction u/s 16(ia)		(50,000)	6,20,000
Income from other sources:			
• Interest from bank on FD (gross)			55,000
Gross total income			6,75,000
Less: Deduction under Chapter VIA:			
• U/s 80C: On LIP; restricted to 10% of sum assured		20,000	
• U/s 80D:			
○ For self and wife: Premium paid by cheque for self and wife + preventive health check up for self (cash is eligible); allowed up to Rs. 50,000 assuming Prakash is resident and, thus, senior citizen	27,500		
○ For parents: Preventive health check (overall restricted to Rs. 5,000)	3,500	31,000	
• U/s 80E: Interest on loan from bank for MBA pursued by daughter		6,500	
• U/s 80G: Donation to approved institution: Cash payment > Rs. 2,000 ineligible		-	
• U/s 80TTB: Interest on Bank FD (assuming Prakash is resident and, thus, senior citizen); allowed up to Rs. 50,000		50,000	
			(1,07,500)
Total income			5,67,500

B25. COMPREHENSIVE - CA2017(M) (modified) – Mr. Rohan, a resident individual has gross total income of Rs. 7,50,000.....

Computation of total income of Mr. Rohan for AY 2022-23

Particulars	Rs.	Rs.
Gross total income		7,50,000
Less: Deduction under Chapter VIA:		
Section 80C:		
• Life insurance premium: Premium deductible up to 15% of sum assured in case of handicapped son since policy taken after 31.3.2013	60,000	
• Tax saver deposit in name of major son: Not deductible	-	
		(60,000)
Section 80D:		
• Health insurance premium for self and spouse: 1/3 rd since policy is in force for 3 years; restricted to 25,000.	25,000	
• Medical expenditure for mother, being senior citizen, since no health insurance premium has been paid for her: Restricted to 50,000.	50,000	
		(75,000)
Section 80G: Contribution to Clean Ganga Fund: Deductible @ 100%		(25,000)
Section 80TTA/80TTB: Not eligible since interest on fixed deposits is income of father; not Rohan		-
Total income		5,90,000

B26. COMPREHENSIVE - CA2015(M) – Compute the eligible deduction under Chapter VIA for AY 2022-23 of Ms. Roma.....

Computation of deduction u/c VIA for Ms. Roma for AY 2022-23

Particulars	Rs.	Rs.
Deduction u/s 80C:		
• Life insurance premium: Allowed up to 20% of sum assured since policy issued before 1.4.2012	40,000	
• PPF contribution	90,000	
• Repayment of housing loan	30,000	
	1,60,000	
Deduction u/s 80C limited to Rs. 1,50,000	1,50,000	
Deduction u/s 80CCC for payment to LIC pension fund	25,000	
	1,75,000	
Deduction u/s 80C and 80CCC restricted to Rs. 1,50,000 by virtue of 80CCE		1,50,000
Deduction u/s 80D:		
• Health insurance premium for self, wife and dependent children: allowed up to Rs. 25,000	25,000	
• Health insurance premium for parents (allowed up to Rs. 50,000 for senior citizen)	50,000	
	75,000	75,000
Deduction under Chapter VIA		2,25,000

B27. COMPREHENSIVE – MASTER QUESTION - Rudra, a resident of age 32 years and residing in Jamnagar, has provided.....

Computation of total income of Rudra for AY 2022-23

Particulars	Rs.	Rs.	Rs.
Income from salary:			
• Basic salary		10,00,000	
• Dearness allowance		5,00,000	
• Employer's contribution to NPS		1,50,000	
• Perquisites (taxable value)		1,00,000	
		17,50,000	
• Less: Standard deduction u/s 16(ia)		(50,000)	
		17,00,000	17,00,000
Income from house property:			
• Interest on loan for purchase of self occupied property in Jamnagar allowed up to Rs. 2 lakh u/s 24(b). Loss under this head can be set off against income under other heads u/s 71 (refer para 190).			(2,00,000)
Profits and gains of business or profession:			
• Part time profession of engineering consulting			15,00,000
Capital gain:			
• Long term capital gain on transfer of rural agricultural land in Jaipur (not taxable as it is not a capital asset)		-	
• Short term capital gain on sale of equity shares (STT paid on sale) (u/s 111A)		3,00,000	
		3,00,000	3,00,000
Income from other sources			
• Interest on 5 year term deposit with State Bank of India		50,000	
• Interest on 5 year Post Office Time Deposit Account		35,000	
• Interest on Post Office Savings Account (individual account) = 18,500 – Rs. 3,500 exempt u/s 10		15,000	
		1,00,000	1,00,000
Gross total income			34,00,000
Less: Deduction under Chapter VIA:			
U/s 80C (Note 1)	1,50,000		
U/s 80CCC: Deposit in LIC Pension Fund Rs. 40,000; allowed up to Rs. 1,50,000	40,000		
U/s 80CCD(1) (Note 2)	1,25,000		
	3,15,000		
Allowed up to Rs. 1,50,000 u/s 80CCE	1,50,000		
U/s 80CCD(1B) and 80CCD(2) (Note 2)	1,75,000		
	3,25,000	3,25,000	
U/s 80D (Note 3)		75,000	
U/s 80DD: Medical expenditure and deposit in approved scheme for dependent child		75,000	

suffering with 50% disability (assuming Swayam has not claimed deduction u/s 80U): Flat deduction of Rs. 75,000			
U/s 80DDB: Expenditure on medical treatment of specified disease for dependent child: Rs. 50,000, limited to Rs. 40,000 less Rs. 35,000 reimbursed by the insurance company		5,000	
U/s 80E: Interest paid to ICICI Bank for loan taken for MBA education of Meena in Germany. Last PY of deduction is 2020-21 (8 th PY from PY 2013-14). Repayment of principal is not eligible.		-	
U/s 80EEB: Interest paid to a deposit taking NBFC on loan taken to purchase electric vehicle for personal use: Loan sanctioned during PY 2020-21; allowed up to Rs. 1,50,000		1,50,000	
U/s 80EEA (Note 4)		75,000	
U/s 80GGA: Donation to college approved u/s 35, paid by cash (not allowed since Rudra has PGBP income and also since amount > Rs. 2,000 is paid in cash; not allowed even in computing PGBP u/s 40A(3) since amount > Rs.10,000 is paid in cash)		-	
U/s 80GGC: Donation to RLD in cash not allowed; donation to electoral trust by cheque allowed; advertisement in pamphlet of BJP not allowed (also disallowed u/s 37(2B) in computing PGBP)		5,000	
U/s 80GG: Rent not paid for self occupied house and also he resides in his own house in Jamnagar where he works; thus, deduction not allowed		-	
U/s 80TTA: Interest on PO Savings Account of Rs. 15,000 allowed up to Rs. 10,000; not allowed on time deposits		10,000	
U/s 80QQB (Note 5)		2,75,000	
U/s 80RRB: Royalty from patent allowed up to Rs. 3,00,000		3,00,000	
U/s 80G (Note 6)		1,75,250	
Deduction under Chapter VIA (restricted to GTI, excluding STCG u/s 111A, of Rs. 31,00,000)		14,70,250	(14,70,250)
Total income			19,29,750

Note 1: Deduction u/s 80C

Particulars	Rs.
Life insurance premium paid by cheque for self (policy issued on 20.3.2012 for sum assured of Rs. 3,00,000): Allowed up to 20% of sum assured	35,000
Life insurance premium paid for Swayam (suffering from disability certified u/s 80U to the extent of 50%) (policy issued on 20.3.2016 for sum assured of Rs. 2,00,000): Allowed up to 15% of sum assured	30,000
Life insurance premium paid for father (policy issued on 20.3.2011 for sum assured of Rs. 1,00,000): Not allowed for father	-
Rudra's contribution to recognized provident fund: Allowed for Rudra's contribution. Contribution by employer taken into account while computing salary income.	60,000
Deposit in PPF Account of younger brother: Not eligible	-
Deposit in Sukanya Samriddhi Account in the name of Saanvi	10,000
Purchase of NSC (VIII issue) certificates	30,000
Fee paid to school for Saanvi's education (tuition fee Rs. 50,000 and development fee Rs. 20,000): Only tuition fee allowed	50,000
Tuition fee paid to college in Germany for Meena for pursuing MBA: Not allowed for institution situated outside India	-
Deposit in 5 year term deposit with State Bank of India	15,000
Investment in notified bonds of NABARD	10,000
Deposit in 5 year Post Office Time Deposit Account	5,000
Repayment of housing loan, stamp duty and registration charges (see Note 4)	3,00,000
	5,45,000
Eligible deduction up to Rs. 1,50,000	1,50,000

Note 2: Deduction u/s 80CCD

Particulars	Rs.
Salary for the purpose of section 80CCD	
• Basic salary	10,00,000
• Dearness allowance forming part of pay @ 50%	2,50,000

	12,50,000
Deduction u/s 80CCD:	
• Deduction u/s 80CCD(1B) for own contribution: allowed up to Rs. 50,000	50,000
• Deduction u/s 80CCD(1) for own contribution (excluding contribution considered u/s 80CCD(1B)): 1,50,000 (2,00,000 – 50,000); allowed up to 1,25,000 (10% of 80CCD-Salary)	1,25,000
• Deduction u/s 80CCD(2) for employer's contribution: Rs. 1,50,000; allowed up to 10% of 80CCD-Salary	1,25,000

Note 3: Deduction u/s 80D

Particulars	Rs.	Rs.	Rs.
For self, spouse and dependent children:			
• Medclaim insurance premium for self and spouse, paid by bearer cheque		20,000	
• Health insurance premium for Meena, paid by crossed cheque		10,000	
• Health insurance premium for Saanvi, paid by cash: Cash payment not allowed		-	
• Medical insurance premium for Rohan, paid by NEFT: Not allowed since Rohan is not dependent		-	
• Medical insurance premium for younger brother, paid by cash: Not allowed for brother		-	
• Preventive health check up for self and spouse, paid by cash (balance of Rs. 5,000 limit after exhausting for mother)		1,000	
Allowed up to Rs. 25,000		31,000	25,000
For parents:			
• Preventive health check up of mother, paid by cheque	4,000		
• Medical insurance premium for mother, paid by account payee cheque	20,000		
Allowed up to Rs. 25,000	24,000	24,000	
• Medical expenditure on father, paid by cheque (he does not have a medclaim policy): Allowed up to Rs. 50,000	40,000		
• Medical expenditure on grandfather, paid by cheque (he does not have a medclaim policy): Not allowed for grandfather	-		
	40,000	40,000	
Allowed overall up to Rs. 50,000		64,000	50,000
Total deduction u/s 80D			75,000

Note 4: Purchase of residential house in Jamnagar

Particulars	Rs.	Rs.
Deduction u/s 80EEA: Interest on loan taken from Bank of India: Loan sanctioned during PY 2021-22, SDV ≤ Rs. 45 lakh, Rudra does not own any house on 1.4.2021. Interest remaining after deduction of Rs. 2,00,000 u/s 24(b) is Rs. 75,000. This is allowed (it is within limit of Rs. 1,50,000)		75,000
Deduction u/s 80C:		
• Repayment of principal amount to bank	2,50,000	
• Stamp duty and registration charges paid	50,000	
• Repairs carried out after house was occupied: Not allowed	-	
Taken to Note 1 on 80C	3,00,000	3,00,000

Note 5: Deduction u/s 80QQB

Particulars	Rs.
Royalty	5,00,000
After ignoring income in excess of 15% of value of books sold (a)	3,75,000
After ignoring income not repatriated by 30.9.2021 (b)	2,75,000
Eligible income (lower of a or b)	2,75,000
Deduction u/s 80QQB = Lower of eligible income or Rs. 3,00,000	2,75,000

Note 6: Deduction u/s 80G

Particulars	Rs.
Donations eligible for deduction without qualifying limit	
• Donation to Prime Minister's National Relief Fund, paid by cheque @ 100%	30,000
• Donation to Prime Minister's Drought Relief Fund, paid by cheque @ 50%	5,000

(A)	35,000
Donations eligible for deduction subject to qualifying limit	
Eligible donations:	
• Donation to Government to be utilized for promoting family planning, paid by NEFT	1,00,000
• Donation to a charitable trust approved u/s 80G, paid by cheque	1,25,000
• Donation for renovation of a temple notified u/s 80G, paid in cash (Amount > Rs. 2,000 paid in cash not eligible)	-
	2,25,000
Adjusted total income:	
• Gross total income	34,00,000
• Less: STCG u/s 111A	(3,00,000)
• Less: Deductions under Chapter VIA (except section 80G)	(12,95,000)
	18,05,000
Qualifying limit = 10% of Adjusted Total Income	1,80,500
Lower of amount of eligible donations (2,25,000) or qualifying amount (1,80,500)	1,80,500
Deduction allowed:	
• To Government for promoting family planning @ 100%	1,00,000
• To charitable trust @ 50% of Rs. 80,500 (1,80,500 – 1,00,000)	40,250
(B)	1,40,250
Total deduction u/s 80G = A + B	1,75,250