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**INCOME TAX LAW AND PRACTICE**

**Deduction in respect of repayment of loan taken for Higher Education [Section 80E]**

Section 80E provides deduction to an individual for amount actually paid during the previous year out of his income chargeable to tax by way of an interest on loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing higher education of self or any of the relative (i.e. spouse, children of the assessee or student for whom the individual is the legal guardian). The deduction will be available in computing the total income in respect of initial assessment year and the seven assessment years immediately succeeding the initial assessment year or until the interest thereon is paid by such individual in full, whichever is earlier. The expression "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan.

For the purposes of this section, the expression "higher education" is being defined to mean any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorised by the Central Government or State Government or local authority to do so.

The expression "financial institution" is being defined to mean a banking company to which the "Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in Section 51 of the Act) or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf.

The expression "approved charitable institution" is being defined to mean an institution specified in, or as the case may be, an institution established for charitable purposes and notified by the Central Government under Section 10(23C) or an institution referred to in Section 80G(2)(a).

**Deduction in respect of interest on loan taken for Residential House Property [section 80EE]**

Section 80EE provides deduction to an individual for interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property for the assessment year beginning on 1st day of April, 2017 and subsequent assessment year, subject to maximum of Rs. 50,000.

The deduction under section shall be subject to the following conditions, namely

- (i) the loan has been sanctioned by the financial institution including housing finance company during the period beginning on the 1st day of April, 2016 and ending on the 31st day of March, 2017;
- (ii) the amount of loan sanctioned for acquisition of the residential house property does not exceed 35 lakh rupees;
- (iii) the value of the residential house property does not exceed 50 lakh rupees;
- (iv) the assessee does not own any residential house property on the date of sanction of the loan.



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Where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other assessment year. Therefore, this deduction is other than the deduction u/s 24(b) under the head “Income from house property”. If in case, the amount of interest exceeds Rs. 50,000 then the individual can claim the balance deduction u/s 24(b), if relevant conditions are satisfied.

For the purposes of this section,

- a) “financial institution” means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies including any bank or banking institution referred to in section 51 of that Act or a housing finance company;
- b) “housing finance company” means a public company formed or 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 purposes.

**Deduction in respect of donations to certain funds, charitable institutions, etc. [Section 80G]**

Section 80G provides deduction to all assessee’s for donations to specified organizations or institutions or funds. However, any donation of any sum exceeding Rs. 2,000 shall not be allowed as deduction under the section unless such sum is paid by any mode other than cash. Further, where an assessee has claimed and has been allowed any deduction under this section in respect of any amount of donation, the same amount will not again qualify for deduction under any other provision of the Act for the same or any other assessment year. A donation in kind is not eligible as per the Supreme Court Ruling (Vijaipat Singhania v. CIT).

The quantum of deduction under this section is the aggregate of deduction permissible under clauses (A), (B),

(C) & (D) mentioned below. Together for (C) and (D) below, there is a qualifying limit which is 10% of adjusted Gross Total Income.

Adjusted Gross total income means the “Gross Total Income” as reduced by:

- I. Long-term Capital gains, if any which have been included in the “Gross Total Income”.
- II. All deductions permissible under Sections 80C to 80U excepting deduction under Section 80G.
- III. Exempted Income.
- IV. Income of NRIs and Foreign Companies under Sections 115A, 115AB, 115AC, 115ACA or 115AD.

**(A) 100% Deduction without any qualifying limit:**

- (i) National Defense fund.
- (ii) Prime Minister’s National relief fund.



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- (iii) Prime Minister's Earthquake relief fund.
- (iv) Africa fund.
- (v) National Trust for welfare of persons with autism, cerebral palsy, mental retardation and multiple disabilities.
- (vi) National cultural fund set up by the Central Government.  
The Chief Minister's relief fund or the lieutenant Governor's relief fund.
- (vii) National Illness Assistance fund.
- (viii) The Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996.
- (ix) The Army/Air force Central welfare fund or the Indian Naval Benevolent fund.
- (x) Any fund set up by a State Government to provide medical relief to poors.
- (xi) The National/State Blood transfusion Council.
- (xii) Zila Saksharta Samiti constituted in any district.
- (xiii) Any fund set up by the State Government of Gujarat, exclusively for providing relief to the victims of earthquake in Gujarat.
- (xiv) Maharashtra Chief Minister's Earthquake Relief Fund.
- (xv) University/Educational Institute of National Eminence approved by the prescribed authority.
- (xvi) National foundation for communal harmony.
- (xvii) Fund for technology development and application, set up by the Central Government.
- (xviii) National sports fund set up by the Central Government.
- (xix) National Children's Fund.
- (xx) the Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under sub-section (5) of section 135 of the Companies Act, 2013 (18 of 2013);
- (xxi) the Clean Ganga Fund, set up by the Central Government, whereas such assessee is a resident and such sum is other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under sub-section (5) of section 135 of the Companies Act, 2013
- (xxii) the National Fund for Control of Drug Abuse constituted under section 7A of the Narcotic Drugs and Psychotropic Substances Act, 1985 (61 of 1985);

**(B) 50% Deduction without any qualifying limit:**

- (i) Jawaharlal Nehru Memorial Fund.
- (ii) Indira Gandhi Memorial Trust.
- (iii) Rajiv Gandhi Foundation.



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(iv) Prime Minister's Drought Relief Fund.

**(C) 100% Deduction subject to qualifying limit:**

- (i) Any sum to Government or any approved local authority, institution or association to be utilized for promoting family planning.
- (ii) Any sum paid by the assessee, being a company, in the previous year as donation to Indian Olympic

Association or to any other association established in India and notified by the Central Government for:

- I. Development of infrastructure for sports and games or
- II. Sponsorship of sports and games in India.

**(D) 50% Deduction subject to qualifying limit:**

- (i) Donation to Government or any approved Local Authority, Institution or Association to be utilized for any charitable purpose other than promoting family planning.
- (ii) Any other Fund or Institution, which satisfies the conditions of Section 80G (5).
- (iii) Notified Temple, Mosque, Gurudwara, Church or any other place notified by the Central Government to be of historic, as chorological or artistic importance, for renovation or repair of such place.
- (iv) Any corporation established by the Central or State Government specified under Section 10(26BB) for promoting interests of the members of a minority community.
- (v) Any authority constituted in India by or under any law for satisfying the need for housing accommodation or for the purpose of planning development or improvement of cities, towns and villages or for both.

**Deduction in respect of Rent Paid [Section 80GG]**

Section 80GG provides deduction to an individual for rent paid if in case the individual does not receive HRA exempt u/s 10(13A) or rent free accommodation from his employer. The accommodation should be occupied by the assessee for the purpose of his own residence. Further, the individual/spouse/minor child/HUF of which he or she is member does not own a residential accommodation at a place where the individual resides performs the duties of his office or employment or carries on his or her business or profession. For the purpose of this section, the individual will give declaration in Form 10BA. The amount of deduction admissible under this Section is lower of:

- Actual rent paid less 10% of 'Adjusted Total Income'.
- 25% of such 'Adjusted Total Income'.
- Amount calculated at Rs. 5,000 p.m.

Where Adjusted Total Income means the Gross total income as reduced by long term capital gain if included in the gross total income and income referred to in section 115A to 115D and the amount



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of deduction under section 80C other than deduction under this section.

**Deduction in respect of certain donations for Scientific Research or Rural Development  
[Section 80GGA]**

Section 80GGA provides 100 % deduction to any assessee (other than an assessee whose gross total income includes income chargeable under the head “profits and gains of business or profession”) in respect of the following payments/donations:

- a) Sums paid to a research association which has, as its object the undertaking of scientific research, or to a university, college or other institution to be used for scientific research where such association, university, college or institution has been approved by the prescribed authority for the purpose of Section 35(1)(ii).
- b) any sum paid by the assessee in the previous year to a research association which has as its object the undertaking of research in social science or statistical research or to a University or college or other institution to be used for social science or statistical research where such such association or university college or institution is for the time being approved by the prescribed authority for the purpose of Section 35(1)(iii).
- c) Sums paid to an approved association or institution which has as its object the undertaking of any programme of rural development, to be used for the purposes of carrying out any programme of rural development approved for the purposes of Section 35CCA provided the assessee furnishes the certificate referred to in Section 35CCA(2).
- d) Sums paid to an approved association or institution which has as its object the undertaking of any programme of rural development provided the assessee furnishes a certificate referred to in Section 35CCA(2A).
- e) any sum paid by the assessee in the previous year to a public sector company or a local authority or an association or institution approved by the National Committee for carrying out any eligible project or scheme, provided the assessee furnishes a certificate referred to in Section 35AC(2)(a).
- f) For the purposes of this clause, ‘National Committee’ means the committee constituted by the Central Government from amongst persons of eminence in public life, in accordance with the rules made under Income-tax Act, 1961 and “eligible project or scheme” means such project or scheme for promoting the social and economic welfare of, or the uplift of, the public as may be notified by Central Government on the recommendations of the National Committee.
- g) Sums paid before April 1, 2002 to an approved association or institution which has as its object the undertaking of any programme of conservation of natural resources or afforestation to be used for carrying out any programme of conservation of natural resources or of afforestation approved under Section 35CCB(2).
- h) Sums paid to the National Fund for Rural Development set up and notified by the Central Government for the purpose of carrying out rural development. This section also provides that where deduction under this section is claimed and allowed, deduction will not be allowed



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in respect of the same payment under any other provision of the Act for the same or any other assessment year.

- i) any sum paid by the assessee in the previous year to the National Urban Poverty Eradication Fund set up and notified by the Central Government.

No deduction shall be allowed under this section in respect of any sum exceeding ten thousand rupees unless such sum is paid by any mode other than cash.

Section 80GGB provides 100 % deduction for any sum contributed by an Indian Company in the previous year to any political party or to an electoral trust while computing its total income by a mode other than cash.

**Deduction in respect of contributions given by any person to Political Parties or an Electoral Trust [Section 80GGC]**

Section 80GGC provides 100 % deduction for any sum contributed by an assessee being any person to a political party or an electoral trust except local authority and every artificial juridical person wholly or partly funded by the Government while computing its total income by a mode other than cash.

**Deduction in respect of profits and gains from industrial undertakings or enterprise engaged in infrastructure development [Section 80-IA]**

Section 80IA provides a deduction to an assessee in respect of profits and gains derived from any business of:

- (1) **Infrastructure facility:** The enterprise is carrying on the business of operating any infrastructure facility which fulfills the following conditions:

- (a) It is owned by an Indian company or consortium of companies or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act registered in India;
- (b) It enters into an agreement with the Central or State Government or a local authority or any other statutory body for (i) developing, (ii) operating and maintaining, (iii) developing, operating and maintaining, a new infrastructure facility.
- (c) It transfer such infrastructure facility after the period stipulated in the agreement to such Government or authority or body concerned;
- (d) It starts operating and maintaining the infrastructure facility on or after 1st April, 1995. It has entered into an agreement with the Central Government or a State Government or a local authority or any other statutory body for developing a special economic zone and maintaining a new infrastructure facility.

Where an infrastructure facility is transferred after 31.3.1999 by an enterprise which has developed





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it to another enterprise for operating and maintaining it on its behalf, in accordance with the agreement with person mentioned in (b), the transferee will get the benefit of deduction for the unexpired period.

Explanation - For the purposes of this clause, “infrastructure facility” means:

- (a) a road including toll road, a bridge or a rail system;
- (b) a highway project including housing or other activities being an internal part of the highway project;
- (c) a water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system;
- (d) a port, airport, inland waterway or inland port.

W.e.f. Assessment year 2001-02, infrastructure facility shall also include water treatment system and solid waste management system.

The benefit of deduction to housing and other development activities which are an internal part of a highway project shall be allowed if the following conditions are satisfied:

- (a) Such profits are transferred to a special reserve account.
- (b) Such profits are utilised for highway project, excluding housing and other activities, before the expiry of three years following the year in which the amount was transferred to the reserve account. The amount remaining unutilised shall be chargeable to tax as income of the year in which it was transferred to the reserve account.

(2) **Telecommunication services:** Any undertaking which has started or starts providing telecommunication services whether basic or cellular including radio-paging, domestic satellite service or network of trunking and electronic data interchange services at any time after 31.3.1995 but before 31.3.2005. Domestic Satellite Service means a satellite owned and operated by an Indian Company for providing telecommunication services.

(3) **Industrial park:** Any undertaking which develops a special economic zone and operates an industrial park (notified by the Central Government) after 31.3.1997 but before 1.4.2006 and in case of SEZ, it should begin on or after 1.4.2001 but before 1.4.2006.

Where an undertaking develops industrial park after 31.3.1999 and transfers the operations and maintenance of it to another undertaking, the transferee will get the benefit of deduction for the unexpired period. However, Investments made to develop industrial park has been extended from 31.3.2006 to 31.3.2011.

(4) **Generation and distribution of power:** An undertaking which:

- (a) is set-up in any part of India for the generation or generation and distribution of power if it begins to generate power at any time during the period beginning on the 1st day of April, 1993



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and ending on the 31st day of March 2017.

(b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on the 1st day of April, 1999 and ending on the 31st day of March 2017.

(c) undertakes substantial renovation and modernization of the existing network of transmission or distribution lines at any time during the period beginning on the 1st day of April, 2004 and ending on the 31st day of March, 2017.

Provided that the deduction under this section to an industrial undertaking under sub-clause (b) shall be allowed only in relation to the profits derived from laying of such network of new lines for transmission or distribution.

**Quantum and period of deduction:**

(1) First five assessment years - 100% of such profits.

(2) Next five assessment years - In case of companies 30% of such profits. In case of other assesseees 25% of such profits.

The deduction under (4) above shall be allowed if the following conditions are satisfied:

(a) It is not formed by the splitting up, or the reconstruction, of a business already in existence;

(b) it is not formed by the transfer to a new business of machinery or plant (exceeding 20%) previously used for any purpose.

**(5) Re-construction or revival of a power generating plant**

(a) Such undertaking must be owned by an Indian Company, formed before 30.11.2005 with majority equity participation by public sector companies for the purpose of enforcing the security interest of the lenders to the company owning the power generation plant.

(i) Such Indian Company is notified before 31.12.2005 by the Central Government for the purposes of this clause and begins to generate or transmit or distribute power before 31.3.2011 (w.e.f 1st April 2008 by Finance Act 2009).

**Option to claim deduction:** The assessee, at his option, can claim deduction in any ten consecutive assessment years out of fifteen years beginning from the year in which it begins operations.

If the assessee is engaged in infrastructure facility mentioned in (b) above he can claim deduction in any ten consecutive assessment years out of twenty years instead of out of fifteen years.

**Computation of Income for Deduction:** For the purpose of computing the deduction at the specified percentage for the assessment year immediately succeeding the initial assessment year and any subsequent assessment year, the profits and gains will be computed as if such business were the only source of income of the assessee in all the assessment years for which the deduction at the specified percentage under this section is available.

It means if the loss or any allowance (e.g. depreciation allowance) of such business is set-off against any other income in an earlier assessment year to find out the income of the current year for deduction under this section the loss so set-off shall be deducted from the current year's income





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and on the balance so arrived, the deduction shall be computed.

Where goods held for the purpose of eligible business are transferred to any other business of the assessee, or vice-versa, such transfer is required to be done at the market value of such goods. If such goods are not transferred at market value on the date of transfer, then the profits and gains of such eligible business shall be recomputed as if transfer has been made at the market value of such goods, as on that date.

If in the opinion of the Assessing Officer, such recomputation presents exceptional difficulties, the Assessing Officer may compute such profits and gains on such reasonable basis as he may deem fit.

Market Value in relation to any goods or services, means

- (i) the price that such goods or services would ordinarily fetch in the open market; or
- (ii) the arm's length price as defined in clause (ii) of section 92F, where the transfer of such goods or services is a specified domestic transaction referred to in section 92BA.

Where deduction to an industrial undertaking or an enterprise for profit and gains is allowed under this section for any assessment year, deduction to that extent shall not be allowed under any other provision of chapter VIA under the heading deductions in respect of certain incomes.

The deduction shall not exceed the profit and gains of such eligible business of industrial undertaking or enterprise. If the profit shown for the eligible business under this section, appears to the assessing officer as more than the ordinary profits which might be expected to arise in such eligible business, owing to some close connection with a person with whom business transactions are so arranged to yield higher profit, the assessing officer may take the amount of profits as may be reasonably derived there from.

Where any undertaking of an Indian company which is entitled to deduction under this section is transferred, before the expiry of the period of tax holiday, to another Indian company in a scheme of amalgamation or demerger, then the deduction will be available as follows:

- (i) No deduction shall be admissible under this section to the amalgamating company/demerged company for the previous year in which amalgamation/ demerger takes place.
- (ii) The amalgamated company or resulting company will be entitled to claim deduction under this section for the unexpired period of tax holiday (including for the previous year in which the amalgamation/ demerger takes place). The provisions of the section shall, as far as may be, apply to the amalgamated or resulting company as they would have applied to the amalgamating or demerged company as if the amalgamation or demerger had not taken place.

Provided that in a case where an undertaking develops an industrial park on or after the 1st day of April, 1999 or a special economic zone on or after the 1st day of April, 2001 and transfers the operation and maintenance of such industrial park or such special economic zone, as the case may be, to another undertaking (hereafter in this section referred to as the transferee undertaking), the deduction under Sub-section (1) shall be allowed to such transferee undertaking for the remaining period in the ten consecutive assessment years as if the operation and maintenance



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were not so transferred to the transferee undertaking.

The provisions contained in this section shall not apply to any special economic notified on or after the 1st day of April, 2005 in accordance with the scheme referred to in sub-clause (iii) of clause (c) of Sub-section (4).

**Deduction in respect of profit and gains by an undertaking or an enterprise engaged in development of Special Economic Zone [Section 80-IAB]**

Section 80IB provides a deduction to an assessee which develops Special Economic Zone (SEZ), notified on or after 1.4.2005 under the Special Economic Zones Act, 2005 equal to 100% of the profit and gains derived from such business for 10 consecutive assessment years, out of 15 years beginning from the year in which a SEZ has been notified by the central government, at option of the assessee. Such assessee would not be eligible to claim deduction u/s 80-IA.

**Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings [Section 80-IB]**

Section 80IB provides deduction to an assessee whose gross total income includes profits and gains derived from the following business. The deduction equal to such percentage and for such number of assessment years as given below:

Deduction under Section 80-IB is available to different industrial undertakings as follows:

- (i) business of an industrial undertaking
- (ii) operation of ship
- (iii) Hotels
- (iv) Scientific research
- (v) production of mineral oil
- (vi) Developing and building housing projects.
- (vii) Cold Chain facility for agriculture produce..
- (viii) Multiplex theatres.
- (ix) Convention Centre
- (x) Hospital in Rural area.
- (xi) Hospital anywhere in India.

An industrial undertaking should be mainly engaged in the business of construction of ships or in the manufacture or processing of goods or in mining. Construction of dam, bridge, road or building cannot be characterized as manufacture or production of articles.

The Industrial undertaking claiming deduction under this section, however need to fulfill the following conditions:

1. It is not formed by splitting up, or the reconstruction, of a business already in existence. This condition is not violated, where the business is re-established, reconstructed or revived by the same assessee after the business of any industrial undertaking carried on by him in India is discontinued due to extensive damage to or destruction of, any building, machinery, plant or furniture owned by the assessee (and used for the purpose of such business) as a direct result of (i) flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature, or (ii) riot or civil disturbance, or (iii) accidental fire or explosion, or (iv) action by any enemy or action taken



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in combating an enemy (whether with or without a declaration of war).

2. It is not formed by the transfer to a new business of machinery or plant previously used for any purpose. However, plant and machinery, already used for any purpose, can be transferred to the new industrial undertaking, provided value of such plant and machinery does not exceed 20% of the total value of plant and machinery of the new industrial undertaking.
3. It manufactures or produces any article or thing, not being any article or thing specified in the list in the Eleventh Schedule, or operates one or more cold storage plant or plants, in any part of India. However, a small scale industrial undertaking or an industrial undertaking located in an industrially backward state specified in the Eighth Schedule shall be eligible for the deductions, even if it manufactures or produces any article/thing which is specified in the Eleventh Schedule.

The undertaking employs ten or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power.

I. The amount of deduction to industrial undertaking shall be as follows:

Sl. No.	Industrial Undertaking	Period within which production should start	Period of deduction (commencing from initial assessment year)	%age of profit eligible for deduction
(1)	(2)	(3)	(4)	(5)
(i)	Any industrial undertaking Owned by a company Owned by a co-operative society	1.4.1991 to 31.3.1995* (or any further notified period)	Ten consecutive assessment year Twelve consecutive assessment year	30% 25%
	Any other assessee		Ten consecutive assessment year	25%
*However where it is an industrial undertaking being a small scale industrial undertaking, it begins to manufacture or produce article or things or to operate its cold storage plant (other than those specified below) the period shall be construed as the period beginning on 1.4.95 and ending on 31.3.2002.				
(ii) Industrial undertaking set up in an industrial backward state specified in Eighth Schedule*				
	Owned by a company	1.4.1993 to	First five years	100%



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Owned by a co-operative society	31.3.2002 (extended to	Next five years	30%
	31.3.2012 only in J&K)	First five years	100%
Any other assessee		Next seven years	25%
		First five years	100%
		Next five years	25%
*However in case of notified industries in the North-Eastern Region, the amount of deduction shall be hundred percent of profits for a period of ten assessment years.			
(iii) Industrial undertaking located in notified industrially backward districts of Category A			
Owned by a company	1.10.1994 To	First five years	100%
	31.3.2004	Next five years	30%
Owned by a co-operative society		First five years	100%
		Next seven years	25%
Any other assessee		First five years	100%
		Next five years	25%
(iv) Industrial undertaking located in notified industrially backward districts of Category B			
Owned by a company	1.10.1994 To	First three years	100%
	31.3.2004	Next five years	30%
Owned by a co-operative society		First three years	100%
		Next nine years	25%
Any other assessee		First three years	100%
		Next five years	25%

1. Deduction under this section shall also be available in the case of the business of a ship @ 30% of the profits and gains derived from such ship for a period of ten consecutive assessment years including the initial assessment year.

However, to claim deduction it is required that the ship -

- (i) is owned by an Indian company and is wholly used for the purposes of the business carried on by it.
- (ii) was not, previous to the date of its acquisition by the Indian company, owned or used in Indian territorial waters by a person resident in India.

(iii) is brought into use by the Indian company at any time during the period beginning on the 1.4.1991 and ending on 31.3.1995.

Sl. No.	Type of Hotel	Period within which functioning should start	Period of deduction (commencing from initial assessment year)	Profit eligible for deduction
(i)	Hotel located in a hilly area or a rural area or a place of pilgrimage or any other place notified by Central Government having regard to the need for development of infrastructure for tourism in any place and other relevant consideration.	1.4.1990 to 31.3.1994	Ten consecutive years	50%
(ii)	Hotel located in a hilly area or a rural area or a place of pilgrimage or any other place notified by Central Government. However, such hotel should not be located within Municipal Jurisdiction of Calcutta, Chennai, Delhi and Mumbai. Such hotel should however be approved by the prescribed authority.	1.4.1997 to 31.3.2001	Ten consecutive years	50%
(iii)	Hotel located in any place other than those mentioned in (i) above	1.4.1991 to 31.3.1995	Ten consecutive years	30%
(iv)	Hotel located in any other place other than those mentioned in (i) above. However, such hotel should not be located within Municipal Jurisdiction of Calcutta, Chennai, Delhi and Mumbai.	1.4.1997 to 31.3.2001	Ten consecutive years	30%

However, the following conditions need to be satisfied by a hotel in order to claim deduction:

(i) The business of the hotel is not formed by the splitting up; or the reconstruction of a business



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already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose.

- (ii) The business of hotel is owned and carried on by a company registered in India with a paid up capital of not less than Rs. 5 lakhs.
- (iii) The hotel is for the time being approved by the prescribed authority. Any hotel approved before 1.4.99 shall be deemed to have been approved for the purpose of this section.

*M. Deduction in the case of any company carrying on scientific research and development is available @ 100% of the profits and gains of such business for a period of five assessment years beginning from the initial assessment year. However, to claim deduction under this section, it is required that such a company -*

- (i) is registered in India.
- (ii) has the main object of scientific and industrial research and development.
- (iii) is for the time being approved by the prescribed authority at any time before 1.4.1999. Further, the amount of deduction in the case of any company carrying on scientific research and development shall be hundred per cent of the profits and gains of such business for a period of ten consecutive assessment years, beginning from the initial assessment year, if such company -
  - (i) is registered in India;
  - (ii) has its main object the scientific and industrial research and development;
  - (iii) is for the time being approved by the prescribed authority at any time after the 31st day of March, 2000, but before the 1st day of April, 2007;
- (iv) Fulfills such other conditions as may be prescribed.

**IV. Industrial undertaking producing or refining mineral oil in the North Eastern Region or in any part of India:**

The amount of deduction to an undertaking shall be 100% of the profits for a period of seven consecutive assessment years, including the initial assessment year, if such undertaking fulfils any of the following conditions:

- (i) is located in North-Eastern Region and has begun or begins commercial production of mineral oil before the 1st day of April, 1997;
- (ii) is located in any part of India and has begun or begins commercial production of mineral oil on





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or after the 1st day of April, 1997;

Provided that the provisions of this clause shall not apply to blocks licensed under a contract awarded after the 31st day of March, 2011 under the New Exploration Licencing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated the 10th February, 1999 or in pursuance of any law for the time being in force or by the Central or a State Government in any other manner;

- (iii) is engaged in refining of mineral oil and begins such refining on or after the 1st day of October, 1998 but not later than 31st day of March 2012..(w.e.f Assessment year 2001-02) (the words “but not later than the 31st day of March, 2012” shall be inserted w.e.f 1st April 2009);
- (iv) is engaged in commercial production of natural gas in blocks licensed under the VIII Round of bidding for award of exploration contracts (hereafter referred to as “NELP-VIII”) under the New Exploration Licensing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG. DO.VL dated 10th February, 1999 and begins commercial production of natural gas on or after the 1st day of April, 2009.
- (v) is engaged in commercial production of natural gas in blocks licensed under the IV round of bidding for award of exploration contracts for Coal Bed Methane blocks and begins commercial production of natural gas on or after the 1st day of April 2009.

*Explanation:* All blocks licensed under a single contract, which has been awarded under the New Exploration Licensing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated 10th February, 1999 or has been awarded in pursuance of any law for the time being in force or has been awarded by Central or a State Government in any other manner, shall be treated as a single undertaking.

***V. Deduction of 100% of the profits of an undertaking engaged in developing and building housing projects approved before the 31st day of March, 2008 by a local authority provided that:***

a. such undertaking has commenced or commences development and construction of the housing project on or after 1st day of October, 1998 and completes such construction –

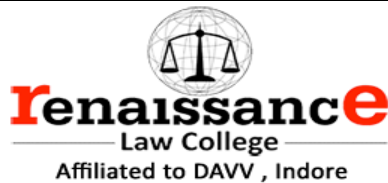
- (i) in case where a housing project has been approved by the local authority before the 1st day of April, 2004, on or before 31st day of March, 2008;
- (ii) in a case where a housing project has been or, is approved by the local authority on or after the 1st day of April, 2004 but not later than the 31st March 2005, within four years from the end of financial year in which the housing project is approved by the local authority.
- (iii) In a case where a housing project has been approved by the local authority on or after the 1st day of April, 2005, within five years from the end of the financial year in which the housing project

is approved by the local authority.

- (a) the project is of the size of a plot of land which has minimum area of one acre;
- (b) the residential unit has a maximum built-up area of one thousand square feet where such residential unit is situated within the cities of Delhi or Mumbai or within twenty-five kilometers from the municipal limits of these cities and one thousand and five hundred square feet at any other place; and
- (c) the build-up area of the shops and other commercial establishments included in the housing project does not exceed three of the aggregate built-up area of the housing project or five thousand square feet whichever is higher.
- (d) not more than one residential unit in the housing project is allotted to any person not being an individual; and
- (e) in a case where a residential unit in the housing project is allotted to a person being an individual, no other residential unit in such housing project is allotted to any of the following persons,
  - (i) the spouse or the minor children of such individual,
  - (ii) the Hindu undivided family in which such individual is the karta,
  - (iii) any person representing such individual, the spouse or the minor children of such individual or the Hindu undivided family in which such individual is the karta.

**VI. Hundred percent of the profits and gains derived by an industrial undertaking from the business of  
*setting up and operating a cold chain facility for agricultural produce shall be deductible:***

Industrial Undertaking	Period within which production should start	Period of deduction (commencing from initial assessment year)	%age of profit eligible for deduction
For a company	1.4.1999 to 31.3.2003	First five years	100%
		Next five years	30%
For a co-operative society		First five years	100%
		Next seven years	25%



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Any other assessee	First five years	100%
	Next five years	25%

Where any undertaking of an Indian company which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another Indian company in a scheme of amalgamation or demerger -

- (a) no deduction shall be admissible under this section to the amalgamating or the demerged company for the previous year in which the amalgamation or the demerger takes place; and
- (b) the provisions of this section shall as far as may be apply to the amalgamated or the resulting company as they would have applied to the amalgamating or the demerged company if the amalgamation or demerger had not taken place.

Further, the amount of deduction in a case of an undertaking deriving profit from the integrated business of handling, storage and transportation of food grains, shall be hundred per cent of the profits and gains derived from such undertaking for five assessment years beginning with the initial assessment year and thereafter, twenty-five per cent (or thirty per cent, where the assessee is a company) of the profits and gains derived from the operation of such business in a manner that the total period of deduction does not exceed ten consecutive assessment years and subject to fulfillment of the condition that it begins to operate such business on or after the 1st day of April, 2001.

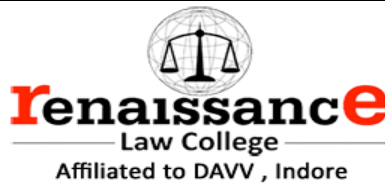
In the case of an undertaking engaged in the integrated business of handling, storage and transportation of food grains, means the assessment year relevant to the previous year in which the undertaking begins such business.

#### **VII. Deduction in the case of any multiplex theatre**

Fifty per cent of the profits and gains derived, from the business of building, owning and operating a multiplex theatre, for a period of five consecutive years beginning from the initial assessment year in any place. Multiplex theatre should not be located at a place within the municipal jurisdiction of Kolkata, Chennai, Delhi or Mumbai. Such multiplex theatre should be constructed at any time during the period beginning on the 1st day of April, 2002 and ending on the 31st day of March, 2005. The business should not be formed by splitting up or the reconstruction, of a business or any plant and machinery previously used for any purpose, and assessee should furnish along with the return of income, the report of an audit in Form No. 10CCBA.

#### **VIII. Deduction in the case of any convention centre:**

Fifty per cent of the profits and gains derived, by the assessee from the business of building, owning



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and operating a convention centre, for a period of five consecutive years beginning from the initial assessment year. Such convention centre is constructed at any time during the period beginning on the 1st day of April, 2002 and ending on the 31st day of March, 2005. The business should not be formed by splitting up or the re-construction of a business or any plant and machinery previously used for any purpose.

**IX. 100% deduction in case of an undertaking deriving profits from the business of operating and maintaining a hospital in a rural area** for a period of five consecutive assessment years beginning with the initial assessment year if (w.e.f. A.Y. 2005-06) -

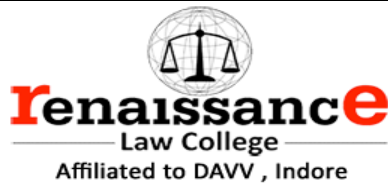
- (i) such hospital is constructed at any time during the period from 1.10.2004 to 31.3.2008.
- (ii) the hospital has at least one hundred beds for patients.
- (iii) construction of hospital is in accordance with the regulations, for the time being in force, of the local authority; and
- (iv) the assessee furnishes along with the return of income the report of audit in such form and containing such particulars as may be prescribed and duly signed and verified by a chartered accountant that the deduction has been correctly claimed.

**X. The amount of deduction in the case of an undertaking deriving profits from the business of operating and maintaining a hospital located anywhere in India**, other than the excluded area, shall be hundred per cent of the profits and gains derived from such business for a period of five consecutive assessment years, beginning with the initial assessment year, if -

- (i) the hospital is constructed and has started or starts functioning at any time during the period beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2013;
- (ii) the hospital has at least one hundred beds for patients;
- (iii) the construction of the hospital is in accordance with the regulations or bye-laws of the local authority; and
- (iv) the assessee furnishes along with the return of income, a report of audit in such form and containing such particulars, as may be prescribed, and duly signed and verified by an accountant, as defined in the Explanation to sub-section (2) of section 288, certifying that the deduction has been correctly claimed.

#### **Deduction in respect of eligible Start-Up [Section 80IAC]**

Section 80IAC provides a deduction to an assessee who is a Company or LLP incorporated after 31<sup>st</sup> March, 2016 but before 31<sup>st</sup> March, 2019, engaged in an eligible business (means a business



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carried out by an eligible start up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment

generation or wealth creation) , whose gross total income includes any profits and gains derived from eligible start up equal to 100% of the profit and gains derived from such business for 3 consecutive assessment years, at the option of the assessee out of five years beginning from the year in which the eligible start-up is incorporated. The Eligible Start-up should not be formed by splitting up, or the reconstruction, of a business already in existence and should not formed by the transfer to a new business of machinery or plant previously used for any purpose. Annual turnover of Company or LLP should not exceed Rs 25 crore during the previous year in which such deduction is claimed.

### **Deductions in respect of profits and gains from Housing Projects [Section 80IBA]**

Section 80IBA provides deduction to an assessee whose gross total income includes any profits and gains derived from the business of developing and building housing projects, subject to the provisions of this section, of an amount equal to 100% of the profits and gains derived from such business.

A housing project shall be a project which fulfils the following conditions:

- a) the project is approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2019;
- b) the project is completed within a period of 5 years from the date of approval by the competent authority:
  - a) the carpet area of the shops and other commercial establishments included in the housing project does not exceed 3% of the aggregate carpet area
  - b) the project is on a plot of land measuring not less than 1000 square meters, where the project is located within the cities of Chennai, Delhi, Kolkata or Mumbai or within the distance, measured aerially, of 25 kilometers from the municipal limits of these cities or 2000 meters, where the project is located in any other place;
  - c) the carpet area of the residential unit comprised in the housing project does not exceed 30 square meters, where the project is located within the cities of Chennai, Delhi, Kolkata or Mumbai or within the distance, measured aerially, of 25 kilometers from the municipal limits of these cities or 60 square meters, where the project is located in any other place;

“Carpet Area” means the net usable floor area of an apartment [excluding (i) the area covered by the external walls (ii) areas under the service shafts/exclusive balcony or verandah area/exclusive open terrace area, but including the area covered by the internal portion wall of the apartment.]



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**Special provisions in respect of certain undertakings or enterprises in certain special category States [Section 80-IC]**

Section 80IC provides deduction from such profits and gains as specified in Sub-section (3) to an assessee whose gross total income includes any profits and gains derived by an undertaking or an enterprise from any business referred to in Sub-section (2), in accordance with and subject to the provisions of this section.

- (1) This section applies to any undertaking or enterprise, -
  - (a) which has begun or begins to manufacture or produce any article or thing, not being any article or thing specified in the Thirteenth Schedule, and undertakes substantial expansion during the period beginning –
    - (i) on the 23rd day of December, 2002 and ending before the 1st day of April, 2012, in any specified areas, in the State of Sikkim; or
    - (ii) on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in any specified areas, in the State of Himachal Pradesh or the State of Uttaranchal; or
    - (iii) on the 24th day of December, 1997 and ending before the 1st day of April, 2007, in any specified areas, in any of the North-Eastern States; Specified area means any Export Processing Zone or Integral Infrastructure Development Centre or Industrial Growth Centre or Industrial Park or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the central government in this regard.
  - (b) which has begun or begins to manufacture or produce any article or thing, specified in the Fourteenth Schedule or commences any operation specified in that Schedule, and undertakes substantial expansion during the period beginning –
    - (i) on the 23rd day of December, 2002 and ending before the 1st day of April, 2012, in the State of Sikkim; or
    - (ii) on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in the State of Himachal Pradesh or the State of Uttaranchal; or
    - (iii) on the 24th day of December, 1997 and ending before the 1st day of April, 2007, in any of the North Eastern States.
- (2) The deduction referred to in Sub-section (1) shall be -
  - (i) in the case of any undertaking or enterprise referred to in Sub-clauses (i) and (iii) of Clause (a) or Sub clause (i) and (iii) of Clause (b), of Sub-section (2), 100% of such profits and gains for ten assessment years commencing with the initial assessment year;
  - (ii) in the case of any undertaking or enterprise referred to in Sub-clause (ii) of Clause (a) or Sub-