

Finance Act 1965

Section 20 - Insertion of New Chapter Via

After section 80 of the Income tax Act, the following Chapter and sections shall be inserted, namely :

Chapter VIA

Deductions to Be Made In Computing Total Income

80A. Deduction in respect of life insurance premia, annuities and contributions to provident fund, etc.

(1) In computing the total income of an assessee there shall be deducted, in accordance with and subject to the provisions of this section, an amount equal to sixty per cent. of the first five thousand rupees of the aggregate of the sums specified in sub section (2) and fifty per cent. of the balance, if any, of such aggregate.

(2) The sums referred to in sub section (1) shall be the following, namely :

(a) where the assessee is an individual, any sums paid in the previous year by the assessee out of his income chargeable to tax

(i) to effect or to keep in force an insurance on the life of the assessee or on the life of the wife or husband of the assessee; or

(ii) to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband of the assessee; or

(iii) as a contribution to any provident fund to which the Provident Funds Act, 1925 (19 of 1925), applies;

(b) where the assessee is a Hindu undivided family, any sums paid in the previous year by the assessee out of its income chargeable to tax, to effect or to keep in force an insurance on the life of any male member of the family or of the wife of any such member;

(c) any sum deducted in the previous year from the salary payable by or on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum so deducted does not exceed one fifth of the salary;

(d) if the assessee is an employee participating in a recognized provident fund, his own contribution to his individual account in the fund in the previous year, in so far as the aggregate of such contributions does not exceed one fifth of his salary in that previous year or eight thousand rupees, whichever is less.

Explanation : In clause (d) of this sub section and in clause (d) of sub section (1) of section 87, "salary" shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule;

(e) if the assessee is an employee participating in an approved superannuation fund, any sum paid in the previous year by him by way of contribution towards the superannuation fund;

(f) where the assessee is an individual, any sums deposited, in the previous year by the assessee out of his income chargeable to tax, in a ten year account or a fifteen year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.

(3) The provisions of clauses (a) and (b) of sub section (2) shall apply only to so much of any premium or other payment made on a policy other than a contract for a deferred annuity as is not in excess of ten per cent. of the actual capital sum assured.

Explanation : In calculating any such capital sum, no account shall be taken

(i) of the value of any premiums agreed to be returned, or

(ii) of the benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(4) The aggregate of the sums referred to in sub section (2), which qualifies for the purposes of computing the deduction referred to in sub section (1), shall not exceed

(i) in the case of an individual being an author, playwright, artist, musician or actor, such percentage of his total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280 O, or such amount, as may be prescribed :

Provided that such individual has effected an insurance referred to in sub clause (i) in clause (a) of sub section (2) prior to the 1st day of March, 1964, and has paid any sum in the previous year to keep in force such insurance;

(ii) in the case of any other individual [including an author, playwright, artist, musician or actor to whom the provisions of clause (i) do not apply], twenty five per cent. of the total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280 O, or twelve thousand five hundred rupees, whichever is less;

(iii) in the case of a Hindu undivided family, twenty five per cent. of its total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280 O, or twenty five thousand rupees, whichever is less.

(5) If the total income of the assessee includes any income chargeable under the head "Salaries", the deduction under sub section (1) shall be made in computing the income under that head, and if there

is no income chargeable under that head, or if the amount required to be deducted exceeds such income, the whole or the balance of the amount required to be deducted shall be allowed as a deduction in computing earned income chargeable under any other head, and, if there is no earned income chargeable under any other head or the whole or the balance of the amount required to be deducted exceeds such earned income, the whole or the balance of the amount required to be deducted shall be allowed as a deduction in computing any other income under any head.

(6) This section shall apply in respect of

(i) the assessment year commencing on the 1st day of April, 1966, and any subsequent assessment year, in the case of an assessee whose total income includes any income chargeable under the head "Salaries" from which tax is deducted, or deductible, at source in accordance with the provisions of section 192; and

(ii) the assessment year commencing on the 1st day of April, 1965, and any subsequent assessment year, in the case of any other assessee.

80B. Deduction in respect of medical treatment, etc., of handicapped persons. (1) Where an assessee who is resident in India, being an individual or Hindu undivided family, who has, during the previous year, incurred out of his or its income chargeable to income tax, any expenditure for the medical treatment (including nursing) of a person who

(a) is a relative of the individual, or, as the case may be, is a member of the Hindu undivided family and is not dependant on any person other than such individual or Hindu undivided family for his support or maintenance, and

(b) is suffering from a physical or mental disability which is certified by a registered medical practitioner to have the effect of reducing considerably such persons capacity for normal work or engaging in a gainful employment (hereinafter in this section referred to as handicapped dependant),

the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount specified in sub section (2) in the computation of his total income in respect of the previous year.

(2) The deduction under sub section (1) shall be

(i) in a case where the handicapped dependent has, for a period of one hundred and eighty two days or more during the previous year, been admitted in a hospital or a nursing home or a medical institution or in such other institution as may be notified by the Central Government in the Official Gazette to be an institution for the care of handicapped persons, and fees and charges for his medical treatment (including nursing) are payable to such hospital or nursing home or medical or other institution, as the case may be, a sum of two thousand four hundred rupees, or

(ii) in any other case, a sum of six hundred rupees,

as reduced, in either case, by an amount equal to the income, if any, of the handicapped dependant in respect of the previous year :

Provided that where the assessee has, during the previous year, incurred expenditure on more than one handicapped dependant, the deduction under sub section (1) shall be allowed only with reference to one such handicapped dependant as may be chosen by the assessee.

(3) If the total income of the assessee includes any earned income, the allowance referred to in sub section (1) shall be made in computing the earned income chargeable under any head, and if there is no such income or the amount of the allowance exceeds such income, the whole or the balance of such amount, as the case may be, shall be allowed as a deduction in computing the assessee's unearned income chargeable under any head.

80C. Relief relating to payment for securing retirement annuities. (1) Where in the case of an assessee, being an individual who is a citizen of India and is resident in India, his share in the income of a registered firm which renders professional service as chartered accountant, solicitor, lawyer, architect, or such other professional service as may be notified in this behalf by the Central Government in the Official Gazette is chargeable to tax and he has paid out of his income chargeable to tax a premium (by whatever name called) in any previous year under an annuity contract for the time being approved by the Commissioner as having for its main object the provision for the individual of a life annuity in old age (hereinafter in this section referred to as qualifying premium), then the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount of the qualifying premium in the computation of his total income in respect of the previous year :

Provided that the amount which may be so deducted shall not exceed the sum of five thousand rupees or one tenth of his total income for that year, whichever is less :

Provided further that any annuity payable to the individual shall be deemed to be his earned income to the extent to which it is attributable to the amount in respect of which deduction has been allowed under this section and chargeable to tax accordingly.

Explanation : For the purposes of the first proviso, "total income" means the total income computed in accordance with the provisions of this Act, before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280 O but excluding any income which would otherwise be included in his total income under the provisions of section 64.

(2) Subject to sub section (3) and any rules made by the Board in this behalf, the Commissioner shall not approve a contract unless he is satisfied that it does not

(a) provide for the payment during the life of the individual of any sum except sums payable by way of annuity to the individual; or

(b) provide for the annuity payable to the individual to commence before he attains the age of fifty eight or after he attains the age of sixty eight; or

(c) provide for the payment of any other sums except sums payable by way of annuity to the individuals widow or widower and any sums which, in the event of no annuity becoming payable either to the individual or to a widow or widower of the individual, are payable to the individuals legal representative, by way of return of premiums, by way of reasonable interest on premiums and by way of bonus out of profits; or

(d) provide for the payment of annuity, if any, payable to a widow or widower of the individual to be of a greater annual amount than that paid or payable to the individual; or

(e) provide for the payment of any annuity otherwise than for the life of the annuitant;

and that it does include a provision that no annuity payable under it shall be capable in whole or in part of surrender, commutation or assignment.

(3) The Commissioner may, if he thinks fit, and subject to any conditions the Board may, by rules, prescribe and subject to any conditions he thinks proper to impose, approve a contract notwithstanding that the contract provides for one or more of the following matters, that is to say,

(a) for the payment after the individuals death of an annuity to a dependant other than the widow or widower of the individual;

(b) for the payment to the individual of an annuity commencing before he attains the age of fifty eight, if the annuity is payable on his becoming incapable through infirmity of mind or body of being actively engaged in his profession or any profession of a similar nature for which he is trained or fitted;

(c) for the annuity payable to any person to continue for a specified term (not exceeding ten years), notwithstanding his death within that term;

(d) in the case of an annuity which is to continue for such specified term, for the annuity to be assignable by will.

(4) The foregoing provisions of this section shall apply in relation to a contribution (by whatever name called) to a fund approved by the Commissioner as they apply in relation to any premium under an annuity contract so approved provided the fund satisfies also the conditions set out below and any other conditions which the Board may, by rules, prescribe, namely :

(a) the fund shall be a fund established in India under an irrevocable trust for the benefit of individuals engaged in any profession referred to in sub section (1);

(b) the fund shall have for its sole purpose the provision of annuities for individuals engaged in such profession on attaining a specified age or on their becoming incapacitated prior to attaining such age, or for the widow, children or dependants of such persons on their death;

(c) all annuities, pensions and other benefits granted from the fund shall be payable only in India.

(5) The Commissioner may, at any time, after giving a reasonable opportunity of showing cause against the proposed withdrawal to the persons by and to whom premiums are payable under any contract for the time being approved under this section, or to the trustees of any fund so approved, withdraw the approval.

(6) Notwithstanding anything contained in sub section (1) and (4), no deduction under this section shall be allowed in the case of any individual

(i) whose total income includes unearned income of more than ten thousand rupees; or

(ii) who is entitled to any pension or participating in any pension or superannuation scheme.

(7) The allowance under this section shall be made in computing the earned income of the assessee included in the total income, so however, that the allowance shall not in any case exceed the amount of the income computed under the head "Profits and gains of business of profession".

(8) Any annuity payable under an approved contract referred to in sub section (1) or from any fund referred to in sub section (4), to a person other than the individual who pays the premium or makes the contribution and any interest on premiums or bonus out of profits payable to such person, shall be deemed to be his unearned income to the extent it is attributable to the amount of deduction allowed under sub section (1) and chargeable to tax accordingly.

(9) Where any payment by way of annuity or otherwise is made by a person to whom premiums or contributions are payable under sub section (1) or sub section (4), such person shall, subject to any rules made by the Board in this behalf, deduct from the total amount so paid during any financial year, tax at such rate or rates in force in that year as would be applicable to such amount, if it were the total income and shall pay the amount so deducted to the credit of the Central Government within the prescribed time and in such manner as the Board may direct and the provisions of section 201 shall, so far as may be, apply to such person if he does not deduct, or after deducting fails to pay, such tax.

(10) Where a deduction under this section is claimed and allowed for any assessment year in respect of any payment, relief shall not be given in respect of it under any other

provision of this Act for the same or a later assessment year nor (in the case of a payment under an annuity contract) in respect of any other premium or consideration for an annuity under same contract.

(11)(a) The Board may, by notification in the Official Gazette, make rules for carrying out the purposes of this section.

(b) In particular and without prejudice to the generality of the foregoing power, such rules may

(i) prescribe the statements and other information to be submitted along with an application for approval;

(ii) prescribe the returns, statements, particulars or information which the Income tax Officer may require from a person by and to whom premiums or contributions are payable under this section;

(iii) provide for the assessment by way of penalty of any consideration received by an individual for an assignment of, or creation of a charge upon, any annuity or other sum receivable by him under any contract or from any fund approved for the time being under this section; and

(iv) provide for securing such further control over the approval granted under this section and administration of funds approved under this section as it may deem requisite.

80D. Definitions. In this Chapter

(i) "relative" in relation to an individual means

(a) the mother, father, husband or wife of the individual, or

(b) a son, daughter, brother, sister, nephew or niece of the individual,

or

(c) a grandson or grand daughter of the individual, or (d) the spouse of any person referred to in sub clause (b);

(ii) "income" in relation to a handicapped dependant means the aggregate income of such person from all sources;

(iii) the expressions "earned income" and "unearned income" shall have the meanings respectively assigned to them in the Finance Act of the relevant year..