



RAMA UNIVERSITY

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NAME OF FACULTY: DR. PALASH BAIRAGI

LECTURE-14



DEDUCTIONS OUT OF GROSS TOTAL INCOME IN CASE OF COMPANIES (SECTION 80G TO 80LA)

Company Assessee are entitled to Claim following Deductions u/s 80G to 80LA out of Gross Total Income

[Deduction u/s 80G : for Donations to Certain Funds, Charitable Institutions, etc.](#)

[Deduction u/s 80GGA : in respect of Certain Donations for Scientific Research or Rural Development](#)

[Deduction u/s 80GGB : for Donation given by Companies to Political Parties](#)

[Deduction u/s 80IA : Profits from New Infrastructure Undertakings](#)

[Deduction u/s 80IAB : Profits from Developing of Special Economic Zones \(SEZ\)](#)

[Deduction u/s 80IB : Profits from New Industrial Undertaking](#)

[Deduction u/s 80IC : Deduction for Setting Up Undertakings in Special States](#)

[Deduction u/s 80ID : Business of Hotels and Convention Centres at NCR Area \[Sec.80-ID\]](#)

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[Deduction u/s 80JJA : Profits from Processing of Bio-Degradable Waste](#)

[Deduction u/s 80JJAA : Deduction in respect of Employment of New Workers / Employees](#)

[Deduction u/s 80-LA : Deduction for Income of Offshore Banking Units and International Financial Services Centre](#)

1. Deduction in respect of Donations to Certain Funds, Charitable Institutions, etc. [Section 80G]
Deduction u/s 80G is available on account of any donation made by the assessee to specified funds or institutions. In some cases, deduction is available after applying a qualifying limit while in others, it is allowed without applying any qualifying limit. Again in some cases, deduction is allowed to the extent of 100% of the donation and in some cases it is allowed to the extent of 50% of the donation.

Essential conditions for claiming deduction under this section:

Deduction under this section is allowed to all assesseees, whether company or non-company, whether having income under the head 'profits and gains of business or profession' or not.

The donation should be of a sum of money. Donations in kind do not qualify for deduction.

The donation should be made only to specified funds/institutions.

No deduction shall be allowed under this section in respect of donation of any sum exceeding ₹2,000 unless such sum is paid by any mode other than cash.

For availing deduction under this section it is obligatory on the part of the assessee to produce proper proof of payment. Where the payment is not proved by production of proper receipt, etc., the deduction under section 80G is not available.

2. Deduction in respect of Certain Donations for Scientific Research or Rural Development [Section 80GGA]

Deduction is permissible to an assessee whose "Gross Total Income" does not include income chargeable under the head "profits and gains of business or profession".

The deduction is available in respect of the payments made during the previous year to the following institutions:

to an approved research association, university, college or other institution to be used for scientific research (Business assesseees were allowed this deduction u/s 35);

to an approved research association which has as its objects the undertaking of research in social sciences or statistical research or to university, college or other institution for research in social science or statistical research (Business assesseees were allowed this deduction u/s 35);

to an association or institution engaged in any approved programme for rural development, or which is engaged in training of persons for implementation of rural development programmes, or to a notified rural development fund or to the notified National Urban Poverty Eradication Fund (Business assesseees were allowed this deduction u/s 35CCA). In this case the assessee should furnish a certificate as is required under section 35CCA;

to a public sector company or a local authority, or to an association or institution approved by the National Committee, for carrying out any eligible project or scheme (Business assesseees were allowed this deduction u/s 35AC). In this case also the assessee should furnish a certificate as a required under section 35AC.

Quantum of deduction: 100% of the sum paid to the above institutions.

3. Deduction in respect of Contributions given by Companies to Political Parties [Section 80GGB]

Any sum contributed by an Indian company in the previous year to any political party or an electoral trust shall be allowed as deduction while computing its total income.

No deduction shall be allowed under this section in respect of any sum contributed by way of CASH.

4. Deduction in respect of Profits and Gains from Undertakings or Enterprises engaged in

Infrastructure Development, etc. [Section 80-IA]

The deduction under this section is available to an assessee whose Gross Total Income includes any profits and gains derived by:

any enterprise carrying on the business of developing,

operating and maintaining, or

developing, operating, maintaining and any infrastructure facility;

an undertaking which is engaged in generation, transmission, distribution of power, etc.

Quantum and Period of Deduction :

100% of profits and gains derived from such business for 10 consecutive assessment years out of 15 years beginning with the year in which undertaking or the enterprise develops and begins to operate any infrastructure facility or generates power or commences transmission or distribution of power or undertakes substantial renovation or modernisation.

However, in case of enterprises engaged in developing, etc of any infrastructure facility other than port, airport, inland waterway or inland port or navigational channel in the sea, the period of 15 years shall be substituted by 20 years.

5. Deduction in respect of Profits and Gains by an Undertaking or an Enterprise Engaged in Development of Special Economic Zone (SEZ) [Section 80-IAB]

The deduction under the new section is available where the gross total income of an assessee, being a Developer, includes any profits and gains derived by an undertaking or an enterprise from any business of developing a Special Economic Zone, notified on or after 1.4.2005 under the Special Economic Zones Act, 2005.

Provided that the provisions of this section shall not apply to an assessee, being a developer, where the development of Special Economic Zone begins on or after 1.4.2017.

Quantum of Deduction:

The deduction shall be allowed of an amount equal to 100% of the profits and gains derived from such business for 10 consecutive assessment years.

The deduction may, at the option of the assessee, be claimed by him for any 10 consecutive assessment years, out of 15 years beginning from the year in which a Special Economic Zone has been notified by the Central Government.

6. Deduction in respect of Profits and Gains from New Industrial Undertaking (Section 80IB)

The deduction under this section is available to an assessee whose Gross Total Income includes any profits and gains derived from the business of:

Commercial Production and Refining of Mineral Oil;

Processing, Preservation and Packaging of Fruits or Vegetables, Meat and Meat Products or Poultry or Marine or Dairy Products;

Integrated Business of Handling, Storage and Transportation of Food Grains;

Operating and Maintaining a Hospital located anywhere in India other than the Excluded area.

6.1. Industrial Undertaking Producing or Refining Mineral Oil in the North Eastern Region or in any part of India [Section 80-IB(9)]

Deduction under this section is allowed if an undertaking fulfils any of the following conditions:

It is located in the North Eastern Region and has begun or begins commercial production of mineral oil before 1.4.1997 or on or after 1.4.1997 but not later than 31.3.2017.

It has begun or begins commercial production on or after 1.4.1997 but not later than 31.3.2017 where it is located in any other part of India.

It is engaged in the business of refining of mineral oil on or after 1.10.1998 but not later than 31.3.2012.

It is engaged in commercial production of natural gas in licensed blocks and begins commercial production of natural gas on or after 1.4.2009.

Quantum of deduction:

Deduction shall be available @ 100% of eligible profits for 7 assessment years commencing from the initial assessment year.

6.2. Undertaking engaged in the business of processing, preservation and packaging of fruits or vegetables or meat and meat products or poultry or marine or dairy products or integrated business of handling, storage and transportation of food grains [Section 80-IB(11A)]

Essential condition:

It must begin or operate the business of processing, preservation and packaging of fruits or vegetables or integrated business of handling, storage and transportation of food grains on or after 1.4.2001. The business of processing preservation and packaging of meat and meat products or poultry or marine or dairy products should commence on or after 31.3.2009.

Quantum of Deduction :

	Assessee	Period of Deduction (commencing from initial assessment year)	% of Profit eligible for Deduction
(a)	Owned by a Company	First 5 Years	100 %
		Next 5 Years	30%
(b)	Owned by any other Assessee	First 5 Years	100%
		Next 5 Years	25%

6.3. Undertaking Operating and Maintaining a Hospital located anywhere in India other than Excluded Area [Section 80-IB(11C)]

Essential Conditions:

The deduction is allowed if the following conditions are satisfied:

the hospital is constructed and has started or starts functioning at any time during the period beginning on 1.4.2008 and ending on 31.3.2013;

the hospital has at least 100 beds for patients;

the construction of the hospital is in accordance with the regulations or bye-laws of the local authority; and

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.

Quantum and Period of Deduction:

100% of the profits and gains of such business for a period of 5 consecutive assessment years, beginning with the initial assessment year.

7. Deduction in respect of certain Undertakings in Himachal Pradesh, Sikkim, Uttaranchal and North-Eastern States [Section 80-IC]

One has to satisfy the following Conditions to Claim Deduction under Section 80-IC—

Not Formed By Splitting Up Or Reconstruction Of Existing Business –

The industrial undertaking is not formed by splitting up, or the reconstruction, of a business already in existence.

Not Formed By Transfer Of Old Plant And Machines –

Industrial Undertaking Should Be Set Up In Certain Special Category Of States –

Manufacture/Production Of Specified Goods –

COMMENCEMENT –

The industrial undertaking must begin to manufacture or produce article or thing within the time limit given

AUDIT –

The books of account the taxpayer should be audited and the audit report should be submitted along with the return of income.

Return Of Income –

From the assessment year 2006-07, return of income should be submitted on or before the due date of submission of return of income given by section 139(1). If return is not submitted or return is submitted belatedly, deduction under this section is not available.

Deduction Should Be Claimed In The Return Of Income –

Deduction under section 80-IC is not available unless it is claimed in the return of income.

8. Deduction in respect of Profits and Gains from Business of Hotels / Convention Centres in NCR area [Section 80-ID]

Conditions - Section 80-ID is applicable, if the following conditions are satisfied—

The taxpayer engaged in the business of hotel located in a specified area. Alternatively, the taxpayer is engaged in the business of building, owning and operating a convention centre located in specified area —

The aforesaid business is not formed by the splitting up, or the reconstruction, of a business already in existence [subject to a few exceptions].

The aforesaid business is not formed by the transfer to a new business of machinery or plant previously used for any purpose [subject to a few exceptions].

Audit report should be submitted† along with the return of income.

Return of income is submitted on or before the due date of submission of return of income given under section 139(1) .

Deduction under section 80-ID is not available unless it is claimed in the return of income.

Amount of Deduction -

If the above conditions are satisfied, 100% of the profit and gains derived from the aforesaid business is deductible for five consecutive assessment years beginning from the initial

assessment year. Initial assessment year for this purpose means the assessment year relevant to the previous year in which the business of the hotel starts functioning or the previous year in which the convention centre starts operating on a commercial basis.

9. Deduction to certain Undertakings Set-up in North Eastern States [Section 80-IE]

Deduction under this section is allowed to an assessee whose gross total income includes any profits and gains derived by an undertaking which fulfils the following conditions:

It has during the period beginning on 1.4.2007 and ending before 1.4.2017 begun or begins in any of the North-Eastern States:

to manufacture or produce any eligible article or thing;

to undertake substantial expansion to manufacture or produce any eligible article or thing;

to carry on any eligible business.

It is not formed by splitting up, or the reconstruction, of a business already in existence: However, this condition shall not apply in respect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as referred to in section 33B, in the circumstances and within the period specified in the said section.

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.

Quantum of deduction:

100% of the profits and gains derived from such business for 10 consecutive assessment years commencing with the initial assessment year.

10. Deduction in respect of Profits and Gains from Business of Collecting and Processing of Bio-degradable Waste [Section 80JJA]

Where the gross total income of an assessee includes any profits and gains derived from the business of collecting and processing or treating of bio-degradable waste for:

generating power, or

producing, bio-fertilizers, bio-pesticides or other biological agents, or

producing bio-gas, or

making pellets or briquettes for fuel, or
organic manure,
a deduction under section 80JJA shall be allowed.

Quantum of Deduction:

The whole of such profits or gains shall be allowed as a deduction for a period of 5 (five) consecutive assessment years beginning with the assessment year relevant to the previous year in which such business commences.

11. Deduction in respect of Employment of New Workers / Employees [Section 80-JJAA]

No deduction under section 80JJAA(1) shall be allowed,—

if the business is formed by splitting up, or the reconstruction, of an existing business: However, nothing contained in this clause shall apply in respect of a business which is formed as a result of re-establishment, reconstruction or revival by the assessee of the business in the circumstances and within the period specified in section 33B;

if the business is acquired by the assessee by way of transfer from any other person or as a result of any business reorganisation;

unless the assessee furnishes alongwith the return of income the report of a chartered accountant giving such particulars in the report as may be prescribed.

Quantum of Deduction:

30% of additional employee cost to be allowed as deduction for 3 assessment years [Section 80JJAA(1)]:

Where the gross total income of an assessee to whom section 44AB applies, includes any profits and gains derived from business, there shall, subject to the conditions specified in section 80JJAA(2), be allowed a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the previous year, for 3 assessment years including the assessment year relevant to the previous year in which such employment is provided.

12. Deduction for Income of Offshore Banking Units and International Financial Services Centre [Section 80-LA]

Conditions to be satisfied:

No deduction under this section shall be allowed unless the assessee furnishes along with the return of income,—

a report of a chartered accountant in Form No. 10CCF, certifying that the deduction has been

correctly claimed in accordance with the provisions of this section; and
a copy of the permission obtained u/s 23(1)(a) of the Banking Regulation Act, 1949 in case of a
Offshore Banking Unit.

To whom the deduction will be allowed:

The deduction will be allowed to an assessee:

being a scheduled bank, or, any bank incorporated by or under the laws of a country outside
India; and having an Offshore Banking Unit in a Special Economic Zone; or

being a Unit of an International Financial Services Centre.

Income in respect of which deduction will be allowed:

The deduction will be allowed on account of the following income included in the gross total
income of the assessee: Any income:

from an offshore banking unit in a Special Economic Zone;

from the business, referred to in section 6(1) of the Banking Regulation Act, 1949, with an
undertaking located in a Special Economic Zone or any other undertaking which develops,
develops and operates or operates and maintains a Special Economic Zone;

from any unit of the International Services Centre from its business for which it has been
approved for setting up in such a Centre in a Special Economic Zone.

Quantum of deduction:

100% of such income for 5 consecutive assessment years beginning with the assessment year
relevant to the previous year in which the permission, under section 23(1)(a) of the Banking
Regulation Act, 1949 or permission or registration under the SEBI Act, 1992 or any other
relevant law was obtained;

50% of such income for the next 5 consecutive assessment years.