

Introduction

Chapter VIII of the Income Tax Act, 2025 contains the sections under which assessee can get deductions from his income to compute total income for income-tax liability purpose. Though each section has stated or provided its separate conditions for claiming deductions, there are some provisions which has to apply to all sections or group of sections of Chapter VIII.

Purpose of Chapter VIII

The main objective of Chapter VIII is to specify which expenditures and allowances are permitted as deductions from gross total income. These deductions reduce the amount of income on which tax is computed, subject to limits and conditions prescribed in the chapter. The aggregate amount of such deductions cannot exceed the gross total income of the assessee.

Structure of Chapter VIII

The chapter is generally organized into three main categories. Under the structure of Chapter VIII (Sections 122 to 154), the chapter includes:

[1] Deductions for Certain Payments

These are the most common deductions used by individual taxpayers. They include:

- Section 123 : Life insurance premia, contributions to Provident Fund (PF), and deferred annuities.
- Section 124 : Deductions for employer/assessee contributions to the Central Government Pension Scheme.
- Section 126 : Health insurance premiums
- Section 129 : Interest on loans taken for higher education.
- Section 132 : Deductions for the purchase of electric vehicles.
- Section 133 : Donations to charitable institutions and specific funds.
- Section 134 : Deductions for rent paid.

[2] Deductions for certain specific Incomes

These deductions apply to specific types of earnings rather than expenses:

- Section 149 : Income of co-operative societies.
- Section 151 : Royalty income for authors of certain books.

- Section 152 : Royalty on patents.
- Section 153 : Deduction for interest on deposits.

[3] Other statutory deductions

Additional deductions provided by law for various categories of investment, expenses, or incomes.

- Section 127 : Maintenance and medical treatment of a dependent with a disability.
- Section 154 : General deduction for a taxpayer who is a person with a disability

Each deduction is subject to specific conditions, limits, and documentation requirements as prescribed in the respective sections within this chapter.

Answers to Frequently Asked Questions on related provisions of the Income Tax Act, 1961 & Income Tax Act, 2025

QIX. 1: What are the major snapshots of simplification with reference to Chapter VIA?

Answer : In this Chapter, the existing provisos and explanations have been integrated into the main sections, improving clarity and coherence. Large and complex sections, such as Section 80C, have been streamlined, and detailed provisions have been moved to Schedule XV of the Income Tax Act, 2025 for better presentation and comprehension.

Further, the provisions of Section 80-IA, 80-IB, 80-IAB, 80-IBA of the Income-tax Act, 1961 would still be applicable for the undertakings or enterprises or projects which were already eligible to avail deductions as per these sections, which is ensured by incorporating necessary savings and repeals clause.

QIX.2 : What major restructuring has been done in Section 80C?

Answer : The various sums eligible for deduction under Section 80C, which were previously spread throughout the section, have now been transformed into a simplified arrangement of eligible savings instruments in the proposed Schedule XV of the Income Tax Act, 2025. The deduction limit remains clearly stated within the section, while the Schedule provides an easy-to-understand breakdown of eligible deductions. This simplifies the process for taxpayers, making it more transparent and organized. The changes have been made for better accessibility and comprehension.

QIX.3 : How has Section 80G been improved?

Answer: Section 80G, which provides deductions for donations, has been revised to clearly segregate deductions based on the percentage of eligible deductions—100% and 50%, without making any policy change. This makes it easier for taxpayers to identify and claim the correct deduction amount.

QIX. 4 : What changes have been made to Sections 80TTA and 80TTB?

Answer: Previously, Sections 80TTA and 80TTB provided deductions on interest earned from savings accounts - 80TTA for the general public and 80TTB for senior citizens. These sections have now been merged into a single proposed section, with clearly defined sub-sections. The eligibility criteria and deduction limits for different categories of assessees are now explicit, reducing the need to refer to multiple sections. This change enhances clarity and ease of use, particularly for senior citizens.

QIX. 5 : What improvements have been made to Section 80PA?

Answer: The definition of "eligible assessee" under Section 80PA has been clarified, and the various eligibility criteria have been listed pointwise. This ensures that taxpayers can easily determine their eligibility without misinterpretation.

QIX. 6 : How has Section 80RRB been simplified?

Answer: The definition of "eligible assessee" who can claim deductions on royalties earned from patents has been made clearer. Additionally, the language has been modified to explain the computation of the deduction amount.

QIX. 7 : The tax incentives under Chapter VIA of Income-tax Act, 1961 are not available in new tax regime. Has the same approach been adopted in proposed legislation?

Answer: There are several provisions for which sunset date had earlier been outlined in Finance Act, 2016. Hence, the deduction for the same is available till such date. However, investment linked deductions have not been phased out. Hence, deduction under sections 80C, 80CCD, 80D, 80DD, 80DDB, 80EEA, 80EEB, 80U, etc. find place in the new Income Tax Bill, 2025.

QIX. 8 : How has section 80JJAA or provision relating to start-up or IFSC been addressed?

Answer: These provisions continue to be in operation in the new Income Tax Bill, 2025. Income Tax Act is a self-contained code and in order to

claim a deduction, it is for the assessee to show that the Act provides for such a deduction.

No deduction under Chapter VIII (under sections 123 to 154) shall be allowed from the following income:

- (i) Long-Term Capital Gains.
- (ii) Short-Term Capital Gains covered under section 196.
- (iii) Winnings from lotteries, horse race, etc., referred to in section 194 (Table S. No. 1)
- (iv) Income covered under sections 207, 208, 209, 210, 211 and 213.

Government incurred a total revenue loss of over Rs. 13.71 lakh Cr. on account of tax exemptions, deductions, and incentives under direct taxes from Financial year 2019-20 to Financial year 2023-24

In response to a batch of questions from Lok Sabha Members

[UNSTARRED QUESTION NO. 1184 ANSWERED ON 28.07.2025], the Minister of State in the Ministry of Finance Shri Pankaj Chaudhary shares the details w.r.t. Revenue loss on account of tax exemptions, deductions and incentives in respect of Direct and Indirect Taxes;

The Minister states that from FY 2019-20 to FY 2023-24, the Government incurred a total revenue loss of over Rs. 13.71 lakh Cr. on account of tax exemptions, deductions, and incentives under direct taxes, with corporate taxpayers accounting for a significant portion; Regarding the revenue impact of tax incentives (indirect taxes), he apprises that a total of Rs. 2.5 lakh Cr. was foregone under Customs for FYs 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24;

On the query as to whether the Govt. has reviewed the impact of these tax incentives, Shri Chaudhary states that no such review has been carried out, while adding that phasing out the exemptions and incentives available to various taxpayers and simplifying the tax structure is the stated policy of the Govt.;

The Minister also mentions that, starting from the Finance Act, 2016, the corporate tax rates have been gradually reduced, and vide Taxation Laws (Amendment) Act, 2019, an option has been provided to corporates to pay tax at concessional rate of 22% if they do not avail specified deductions or incentives;

Lastly, Shri Chaudhary highlights that "Taxation rates, exemptions and tax incentives in terms of employment generation, capital investment, wage growth, innovation or regional development are part of the overall fiscal policy of the Government which aims at holistic growth of the economy."

Revenue Foregone from Financial years 2019-20 to 2023-24 (Direct Taxes) [In Rs. Crore]				
<i>Financial Year</i>	<i>Major Tax Incentives for Corporate Taxpayers (A)</i>	<i>Major Tax Incentives for NonCorporate Taxpayers (Firms/AOPs/BOIs) (B)</i>	<i>Major Tax Incentives for Individual HUF Taxpayers (C)</i>	<i>Grand Total (A+B+C)</i>
2019-20	94109.83	8,043.07	1,55,429.45	2,57,582.35
2020-21	75,218.02	7,731.61	1,28,244.23	2,11,193.86
2021-22	96,892.39	9,018.68	1,68,566.30	2,74,477.37
2022-23	88,109.27	10,920.83	1,96,678.95	2,95,709.05
2023-24 (Projected)	98,999.57	12,270.64	2,20,988.47	3,32,258.68

Deductions in respect of certain incomes not to be allowed unless return is filed by the due date [Circular No. 8, Dated 26.12.2018 - Finance Act, 2018, with effect from 01.04.2018]

Before amendment by the Act, section 80AC of the Income-tax Act provided that no deduction would be admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under sub-section (1) of section 139 of the Income-tax Act. However, this burden was not cast upon the assessee claiming deduction under other similar provisions contained in Chapter VIA of the Income-tax Act under the heading "C. - Deductions in respect of certain incomes".

In order to ensure timely filing of return by the assessee for claiming deductions under the provisions contained in Chapter VIA of the Income-tax Act under the heading "C. - Deductions in respect of certain incomes", section 80AC has been amended to provide that the benefit of deduction under the entire class of deductions under the heading "C.—Deductions in respect of certain incomes" in Chapter VIA of the Income-tax Act shall not be allowed unless the return of income is filed on or before the due date.

In case of *H.H. Sir Rama Varma v. CIT (1994) 205 ITR 433 : 71 Taxman 237 (SC)*, it was held that section 80AB like section 80AA was enacted to declare law as it always stood - Circulars of Board stating that section 80AB was prospective would be of no consequence - Above judgment not requires reconsideration in light of CBDT Circulars

In the case of *H.H. Sir Rama Varma v. CIT (1994) 205 ITR 433 : 71 Taxman 237 (SC)*, it was held that section 80AB was enacted to declare the law as it always

stood. The appellant submitted that since the CBDT Circulars had stated that section 80AB was prospective, the judgment in the above case needed reconsideration by a larger Bench.

Held : The judgment in the case of H.H. Sir Rama Varma (supra) noted that sections 80AA and 80AB were introduced at one and the same point of time and that section 80AA was given retrospective operation with effect from 01.04.1968. It noted that it was held in the case of *Distributors (Baroda) (P) Ltd. v. Union of India* (1985) 155 ITR 120 : 22 Taxman 49 (SC), that section 80AA was declaratory of the law as it always had been since 01.04.1968. On a parity of reasoning, it was held in the judgment in H.H. Sir Rama Varma's case (supra) that section 80AB was also enacted to declare the law as it always stood. Therefore, the fact that the Circulars of the Board had stated that section 80AB was prospective was of no relevance and the judgment could not be reconsidered on that ground. The appeal was covered against the appellant by the judgment in the case of H.H. Sir Rama Varma (supra). The appeal was, therefore, dismissed. Decision of the Bombay High Court affirmed. [In favour of revenue] – [*N. N. Bhagwati v. CIT (2001) 247 ITR 206 : 115 Taxman 139 : (2002) 172 CTR 97 (SC)*]

Onus of providing details

It was judicially held that the onus of providing the details of deduction lay with the assessee and even in summary assessment, the Assessing Officer is not bound to allow the deduction in the absence of details. [*M/s Mahendra Mills v. CIT (2000) 243 ITR 56 : 159 CTR 381 (SC)*]

Assessee's duty to place relevant material

If an assessee approaches a statutory authority for obtaining an exemption, deduction or a concession under the taxing statute, he should in fairness place all the material before the said authority and be also in position to satisfy the said authority that he was entitled to obtain the concession in accordance with the provisions of the taxing statute and also under the common law. - [*Nizgam's Religious Endowment Trust v. CIT (1966) 59(1) ITR 582 (SC); Balasubramaniam (M.) v. Ag. ITO, (1973) 87 ITR 623 (Mad.)*]

Sections dealing with "Deductions to be made in computing total Income"

S. No.	Section	Corresponding to the Income Tax Act, 1961	Provides
1.	122	80A	Deductions to be made in computing Total Income
2.	123	80C	Deduction for life insurance premia, deferred annuity, contributions to provident fund, etc.

3.	124	80CCD	Deduction in respect of employer and assessee contribution to pension scheme of Central Government
4.	125	80CCH	Deduction in respect of contribution to Agnipath Scheme
5.	126	80D	Deduction in respect of health insurance premia
6.	127	80DD	Deduction in respect of maintenance including medical treatment of a dependant who is a person with disability
7.	128	80DDB	Deduction in respect of medical treatment, etc.
8.	129	80E	Deduction in respect of interest on loan taken for higher education
9.	130	80EE	Deduction in respect of interest on loan taken for residential house property
10.	131	80EEA	Deduction in respect of interest on loan taken for certain house property
11.	132	80EEB	Deduction in respect of purchase of electric vehicle
12.	133	80G	Deduction in respect of donations to certain funds, charitable institutions, etc.
13.	134	80GG	Deduction in respect of rents paid
14.	135	80GGA	Deduction in respect of certain donations for scientific research or rural development
15.	136	80GGB	Deduction in respect of contributions given by companies to political parties
16.	137	80GGC	Deduction in respect of contributions given by any person to political parties
17.	138	80IA	Deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.
18.	139	80IAB	Deductions in respect of profits and gains by an undertaking or enterprise engaged in development of Special Economic Zone
19.	140	80IAC	Special provision in respect of specified business
20.	141	80IB	Deductions in respect of profits and gains from certain industrial undertakings
21.	142	80IBA	Deductions in respect of profits and gains from housing projects

22.	143	80IE	Special provisions in respect of certain undertakings in North-Eastern States
23.	144	10AA	Special provisions in respect of newly established Units in Special Economic Zones
24.	145	80JJA	Deduction for business engaged in collecting and processing of bio-degradable waste
25.	146	80JJAA	Deduction in respect of new and additional employment additional cost
26.	147	80LA	Deductions for income of Offshore Banking Units and Units of International Financial Services Centre
27.	148	80M	Deduction in respect of certain inter-corporate dividends
28.	149	80P	Deduction in respect of income of co-operative societies
29.	150	<i>Explanation</i> to Section 80P	Interpretation for purposes of section 149
30.	151	80QQB	Deduction in respect of royalty income, etc., of authors of certain books other than text-books
31.	152	80RRB	Deduction in respect of royalty on patents
32.	153	80TTA & 80TTB	Deduction for Interest on Deposit
33.	154	80U	Deduction in case of a person with disability

Chapter 2

Deductions to be made in computing Total Income

[Section 122]

[Corresponding to Section 80A of the Income Tax Act, 1961]

Section 122 of the Income Tax Act, 2025, provides the framework governing deductions in computing total income under the Indian-tax regime. This section is set within Chapter VIII of the Income Tax Act, dedicated to deductions, and is integral for determining the taxable income of assesseees.

Objective and Purpose

The primary objective of section 122 of the Income Tax Act, 2025, is to streamline and update the provisions concerning deductions from gross total income. The legislative intent behind this section is to ensure clarity, reduce ambiguities, and enhance compliance among taxpayers. It aims to provide a comprehensive mechanism for deductions, ensuring that they do not exceed the gross total income and are claimed within stipulated timeframes and conditions.

Text of Section 122

122. Deductions to be made in computing total income

(1) In computing the total income of an assessee, the deductions specified in this Chapter shall be allowed from his gross total income, as per and subject to the provisions of this Chapter.

(2) The aggregate amount of the deductions under this Chapter shall not, in any case, exceed the gross total income of the assessee.

(3) If the deduction under section 133 or 135 or 137 or 138 or 141 or 142 or 143 is admissible in computing the total income of an association of persons or a body of individuals, no deduction under the same section shall be made in relation to the share of income of a member of such association of persons or body of individuals in computing the total income of such member.

(4) Irrespective of anything to the contrary contained in any of the provisions of Part C of this Chapter, where, in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is claimed and allowed as a deduction under those provisions for any tax year,—

- (a) *deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provision of this Act for such tax year; and*
- (b) *shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business, as the case may be.*

(5) *Deduction under the provisions of Part C of this Chapter shall not be allowed to an assessee, who fails to —*

- (a) *furnish a return of income on or before the due date specified under section 263(1); or*
- (b) *make a claim of deduction in a return furnished under section 263(1).*

(6) *For the purposes of any deduction under this Chapter, irrespective of anything to the contrary contained in Part C of this Chapter, if any goods or services held for the purposes of —*

- (a) *the undertaking, unit, enterprise or eligible business carried on by the assessee are transferred to any other business carried on by the assessee; or*
- (b) *any other business carried on by the assessee are transferred to the undertaking or unit or enterprise or eligible business of the assessee,*

and the consideration, if any, for such transfer as recorded in the accounts of the undertaking or unit or enterprise or eligible business does not correspond to the market value of such goods or services as on the date of transfer, then the profits and gains of such undertaking or unit or enterprise or eligible business carried on by the assessee shall be computed as if the transfer, in clause (a) or (b), had been made at the market value of such goods or services as on that date.

(7) *For the purposes of sub-section (6), “market value”, —*

- (a) *in relation to any goods or services sold or supplied, means the price that such goods or services would fetch if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any;*
- (b) *in relation to any goods or services acquired, means the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market, subject to statutory or regulatory restrictions, if any; and*
- (c) *in relation to any goods or services sold, supplied or acquired, means the arm’s length price of such goods or services as defined in section 173(a), if it is a specified domestic transaction referred to in section 164.*

(8) *Where a deduction under Part C of this Chapter, is claimed and allowed in respect of profits of a specified business as referred to in section 46(11)(d) for any tax year, no deduction shall be allowed for such specified business under section 46 for the same or any other tax year.*

(9) *Where any deduction is required to be made or allowed under Part C of this Chapter, in respect of any income of the nature specified in that section and included in the gross total income of the assessee, then, irrespective of anything contained in that section, for the purpose of computing the deduction under that section, the amount of income of that nature as computed under the provisions of this Act (before making any deduction under this Chapter) shall alone be deemed to be the amount of income of that nature which is derived or received by the assessee and which is included in his gross total income.*

(10) *For the purposes of this Chapter, the expression “gross total income” means the total income computed as per the provisions of this Act, before making deduction under this Chapter.*

Deductions are to be made from the gross total income [Section 122(1)]

Section 122(1) reiterates the fundamental principle that deductions are to be made from the gross total income subject to the provisions of the Chapter.

Aggregate amount of the deductions under Chapter VIII shall not, in any case, exceed the gross total income of the assessee [Section 122(2)]

The aggregate amount of the deductions under Chapter VIII shall not, in any case, exceed the gross total income of the assessee.

Restricts the double deduction for members of an association of persons (AOP) or a body of individuals (BOI) [Section 122(3)]

Section 122(3) restricts the double deduction for members of an association of persons (AOP) or a body of individuals (BOI). If deductions are claimed at the entity level, they cannot be claimed again at the individual member level, ensuring no dual benefits are availed.

If the deduction under section 133 or 135 or 137 or 138 or 141 or 142 or 143 is admissible in computing the total income of an association of persons or a body of individuals, no deduction under the same provision shall be made in relation to the share of income of a member of such association of persons or body of individuals while computing the total income of such member.

Assessee can get deductions of profit and gains under any one section [Section 122(4)]

Irrespective of anything to the contrary contained in any of the provisions of Chapter VII under the heading “Deductions in respect of certain incomes”, where, in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is claimed and allowed as a deduction under those provisions for any tax year, —

- (a) deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provision of this Act for such tax year; and

- (b) shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business

Thus, section 122(4) introduces a *non-obstante* clause to prevent claiming the same deduction under multiple provisions. It limits deductions to the profits and gains of the specified undertaking, thereby ensuring that deductions are not duplicated or inflated.

Introduces a compliance-oriented approach by disallowing deductions [Section 122(5)]

Section 122(5) introduces a compliance-oriented approach by disallowing deductions if the return of income is not filed by the due date or if the deduction is not claimed in the return. This aims to encourage timely compliance and accurate reporting by taxpayers.

In other words, deduction under the provisions of Part C of this Chapter (Sections 138 to 152) shall not be allowed to an assessee, who fails to –

- (a) furnish a return of income on or before the due date specified under section 263(1); or
- (b) make a claim of deduction in return furnished under section 263(1).

Transfers Between Businesses [Sub-sections (6) and (7)]

These sub-sections address the transfer pricing issues within an assessee's businesses. They mandate that transfers between businesses should be at market value, preventing tax avoidance through undervaluation or overvaluation of inter-business transactions.

For goods or services transferred between businesses of the same assessee, profit or gain is computed as if the transfer happened at market value (or arm's-length price for specified domestic transactions), ensuring fair deduction computation.

Interaction with Other Sections [Section 122(8)]

If a deduction under Part C (Sections 138 to 152) is claimed and allowed for profits of a specified business as referred to in section 46(11)(d) for any tax year, then that business cannot claim a deduction under section 46 for the same or any other tax year.

Income Computation for Deduction Purposes [Section 122(9)]

Where a deduction is allowed for income of a particular nature (e.g., capital gains), the amount eligible for deduction shall be computed as if it were included in the gross total income first (before applying any deductions).

Defines “gross total income” [Section 122(10)]

For the purposes of this Chapter, gross total income means the total income computed before making any deductions under this Chapter.

<i>Aspect</i>	<i>Key Outcome</i>
Purpose of Section 122	Sets baseline rules and limits for all deductions in computing taxable income.
Maximum Deduction	Cannot exceed the gross total income.
Deduction Compliance Condition	Must file timely return and claim deduction in return.
No Double-Dipping	Deductions allowed once only; prevents duplication.

Assessee is entitled to get statutory deductions under Chapter VI-A as per limit prescribed and cannot be denied benefit of same simply on reason that earlier in original return of income, assessee had claimed lower amount than amount claimed in subsequent return of income filed in response to notice under section 148, especially when subsequent return had been accepted

The appellant has contented the action of Assessing Officer for making addition of Rs. 41,664/- on account of disallowance of deduction claimed under Chapter VI-A. It is seen that the appellant had claimed deductions of Rs. 71,036/- under Chapter VI-A in his original return of income and he claimed deductions of Rs. 1,12,700/- in the return of income filed in response to notice under section 148 of the Act. There is a difference of Rs. 41,664/- in the claim of deductions. However, the appellant has not produced any documentary evidences in support of his claim during the assessment proceedings as well as appeal proceedings. Therefore, the amount of Rs. 41,664/- added to the returned income by the Assessing Officer is confirmed in the absence of any documentary evidence. The Assessee, being aggrieved, is in appeal before this Court.

Addition of Rs. 41,664/- was made on account of being difference between the deductions claimed under Chapter VIA of the Act in the original return of income and return of income filed in response to the notice under section 148 of the Act. The Assessee has demonstrated that the amounts of Rs.1,00,000/-, Rs. 2700/- and Rs. 10,000/- have been claimed under section 80C of the Act as life insurance premium and under section 80G of the Act and under section 80TTA of the Act respectively.

This Court observe that originally the Assessee had claimed the deduction under Chapter VIA of the Act to the tune of Rs. 71,036/- only mainly on the reason that the total income as per original return was Rs. 71,036/- itself. The

Assessing Officer made the addition under consideration on the reason that there is difference in the claim of the Assessee in original and new return filed in response to notice under section 148 of the Act and no proof regarding the same was submitted, whereas the Assessee has claimed that he has duly submitted the relevant details as submitted before the Tribunal. The Assessee no doubt is entitled to get the statutory deductions under Chapter VIA of the Act as per limit prescribed and cannot be denied benefit of the same simply on the reason that earlier in the original return of income, the Assessee has claimed lower amount than the claimed amount in the subsequent return of income filed in response to notice under section 148 of the Act, especially when the subsequent return is accepted. And therefore in order to cut short the controversy and for substantial justice, the addition of Rs. 41,664/- is also deleted, however, subject to verification of the relevant documents and clarification pertaining to the issue under consideration, by the Assessing Officer. [In favour of assessee] (Related Assessment year : 2015-16) – [*Bharat Mithalal Jain v. ITO (2025) 172 taxmann.com 501 (ITAT Mumbai)*]

Returns filed by assessee-society were beyond dates prescribed under sections 139(1), 139(4), 142(1) or 148 and *non-est* in view of provision of section 80A(5), precondition to claim deduction under section 80P had not been fulfilled and therefore assessee was not entitled to benefit of exemption under section 80P(2)(a)(vi)

Assessee-society, engaged in financing and social welfare of toddy tappers/workers, had claimed deduction under section 80P. Assessing Officer made disallowance under section 80P(2)(a)(vi) since assessee's returns were filed much beyond date for filing prescribed under section 139 and even under section 148. On reading sections 80A(5) and 80AC as they stood prior to 01.04.2018, it was noted that statutory scheme under Act was to admit only such claims for deduction under section 80P as were made by assessee in return of income filed by him. However, after 01.04.2018, even if assessee made his claim for deduction under section 80P in a return filed within time under section 139(4), 142(1) or 148, he would not be allowed deduction unless returns so filed was within due date prescribed under section 139(1). Since assessee had filed its return of income after dates prescribed under section 139(1), returns were indeed *non-est* and could not be acted upon by Assessing Officer even if they were filed before completion of assessment. Since assessee failed to fulfil pre-condition prescribed under section 80P, it was not entitled to benefit of exemption under section 80P(2)(a)(vi). [In favour of revenue] (Related Assessment years : 2009-10 and 2010-11) – [*Nileshwar Rangehallu Chethu Vyavasaya Thozhilali Sahakarana Sangham v. CIT (2023) 459 ITR 730 : 152 taxmann.com 347 (Ker.)*]

Assessee, engaged in development of infrastructural facilities, had not made a claim under section 80-IA in its return of income and raised claim for first time in revision application filed under section 264, by virtue of section 80A(5), said claim could not be granted

Assessee was engaged in development of infrastructural facilities. It had filed an application under section 264 before Commissioner and raised claim of deduction under section 80-IA(4). In view of decision in case of *EBR Enterprises v. Union of India* (2019) 415 ITR 139 : 266 Taxman 15 : 107 taxmann.com 220 (Bom.) since assessee had not made a claim under section 80-IA in its return of income and raised claim for first time in revision application filed under section 264, by virtue of section 80A(5), said claim could not be granted. Therefore, Commissioner was justified in dismissing revision application. [In favour of revenue] (Related Assessment year : 2015-16) -[*Rachma Infrastructure (P) Ltd. v. PCIT* (2022) 138 taxmann.com 416 (Guj.)]

Deductions cannot exceed gross total income

The aggregate amount of deductions under sections 80C to 80U shall not, in any case, exceed the 'Gross Total Income' (exclusive of long-term capital gains, short-term capital gain covered under section 111A, winnings from lotteries, crossword, puzzles, etc. and income referred to in sections 115A to 115AD, 115BBA and 115D) of the assessee. If the 'Gross total income' is negative or nil, no deduction can be permitted. - [*CIT v. Empire Jute Co. Ltd.*, (1986) 161 ITR 556 (Cal.) ; *CIT v. Rambal (P) Ltd.* (1984) 169 ITR 50 (Mad.)]

Deduction should be claimed by assessee

Deductions under any of the sections 80C to 80U are to be allowed if the assessee claims any of them and establishes the circumstances warranting such a deduction. If no such deduction is claimed, the assessing authority will not, ordinarily, be bound to himself allow any such deduction. - [*Stumpp, Schuele & Somapa (P) Ltd. v. ITO* (1976) 102 ITR 320 (Karn.)]

Chapter 3

**Deduction for Life Insurance
Premia, Deferred Annuity,
Contributions to Provident
Fund, Etc.**

[Section 123]

[Corresponding to Section 80C of the Income Tax Act, 1961]

Section 123 of the Income Tax Act, 2025 provides that an individual or a Hindu Undivided Family (HUF) can claim a deduction from their gross total income for certain payments made during the tax year, subject to the conditions in the relevant Schedule (Schedule XV). This section was introduced for the first time by the Finance Act, 1965, with effect from 01.04.1965.

Text of Section 123 of the Income Tax Act, 2025

123. Deduction for life insurance premia, deferred annuity, contributions to provident fund, etc.

An individual or a Hindu undivided family, shall be allowed a deduction of the whole of the amount paid or deposited in the tax year, being the aggregate of the sums enumerated in Schedule XV, but not exceeding one lakh fifty thousand rupees, while computing the total income for that year, subject to the conditions specified in that Schedule

SCHEDULE XV

(See section 123)

**DEDUCTION IN RESPECT OF LIFE INSURANCE PREMIA,
CONTRIBUTION TO PROVIDENT FUND, SUBSCRIPTION TO
CERTAIN EQUITY SHARES, ETC.**

1. Sums qualifying as deduction. - The amounts paid or deposited in the tax year by the assessee, which qualify as deduction for the purpose of section 123 are —

- (a) premium paid for a life insurance policy —
 - (i) in the case of an individual, on life of such individual, spouse of the individual and any child of the individual;
 - (ii) in the case of a Hindu undivided family, on life of any member of the Hindu undivided family,subject to paragraph 2;

- (b) sum paid under a deferred annuity contract other than the annuity plan referred to in clause (1) on life of the individual, spouse of the individual and any child of the individual, and such contract does not contain an option to receive cash payment in lieu of the annuity;
- (c) sum deducted from salary payable by or on behalf of the Government to any individual for securing deferred annuity or making provision for his spouse or children, to the extent of 20% of salary;
- (d) contribution by an individual to any provident fund to which the Provident Funds Act, 1925 (19 of 1925) applies;
- (e) contribution to an account with any provident fund, set up and notified by the Central Government, in the name of, —
 - (i) in the case of an individual, such individual, spouse of the individual and any child of the individual;
 - (ii) in the case of a Hindu undivided family, any member thereof;
- (f) contribution by an employee to a recognised provident fund;
- (g) contribution by an employee to an approved superannuation fund;
- (h) subscription to any security or deposit scheme notified by the Central Government in the name of an individual or any girl child of that individual, or any girl child for whom such person is the legal guardian, if the scheme so specifies;
- (i) subscription to savings certificate as mentioned in section 3(k) of the Government Savings Banks Act, 1873 (5 of 1873), as may be notified by the Central Government;
- (j) contribution for participation in Unit-linked Insurance Plan, 1971 specified in Schedule II of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002), —
 - (i) in the case of an individual, in the name of such individual, spouse of the individual and any child of the individual;
 - (ii) in the case of a Hindu undivided family, in the name of any member thereof;
- (k) contribution for participation in unit-linked insurance plan of Life Insurance Corporation Mutual Fund, referred to in Schedule VII (Table: Sl. No. 20 or 21), as notified by the Central Government, —
 - (i) in the case of an individual, in the name of such individual, spouse of the individual and any child of the individual;
 - (ii) in the case of a Hindu undivided family, in the name of any member thereof;

- (l) sum paid towards contract for annuity plan of the Life Insurance Corporation or any other insurer notified by the Central Government;
- (m) subscription to any units of —
 - (i) any Mutual Fund referred to in serial number 20 or 21 of the Table in Schedule VII; or
 - (ii) from the Administrator; or
 - (iii) the specified company, under any plan formulated as per such scheme notified by the Central Government;
- (n) contribution by an individual to any pension fund set up by —
 - (i) any Mutual Fund referred to in Schedule VII (Table: Sl. No. 20 or 21); or
 - (ii) the Administrator; or
 - (iii) the specified company,
as notified by the Central Government;
- (o) subscription to a deposit scheme or contribution to a pension fund, set up by the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987), as notified by the Central Government;
- (p) subscription to any deposit schemes of —
 - (i) a public sector company engaged in providing long-term finance for construction or purchase of houses in India for residential purposes; or
 - (ii) an authority constituted in India by any law, for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both,
as notified by the Central Government;
- (q) tuition fees (excluding any development fees or donation or payment of similar nature) paid by an individual to any University, college, school or other educational institution situated in India (at the time of admission or thereafter), for full time education of any two children of such individual;
- (r) payment made for purchase or construction of a residential house property the income from which is chargeable to tax under the head “Income from house property” (or which would, if it had not been used for the own residence of the assessee, have been chargeable to tax under that head), subject to satisfaction of conditions laid down in paragraph 3;

- (s) term deposit for a fixed period of not less than five years with a scheduled bank, and which is as per such scheme framed and notified by the Central Government;
- (t) subscription to bonds issued by the National Bank for Agriculture and Rural Development, as notified by the Central Government;
- (u) deposit in an account under the Senior Citizen Savings Scheme Rules, 2004;
- (v) five years term deposit in an account under the Post Office Time Deposit Rules, 1981;
- (w) contribution by an employee of the Central Government to an additional account referred to in section 20(3) of the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013) of the pension scheme notified by the Central Government,—
 - (a) for a fixed period of not less than three years; and
 - (b) which is as per the scheme as notified by the Central Government for the purposes of this clause;
- (x) contribution made from income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from the fund referred to in Schedule VII (Table: Sl. No. 3);
- (y) contribution made by an individual to a pension scheme notified by the Central Government, to the extent of —
 - (i) 10% of salary, including dearness allowance, if the terms of employment so provide, but excluding all other allowances and perquisites, during the tax year in the case of an employee of the Central Government or any other employer; or
 - (ii) 20% of gross total income during the tax year in the case of any other individual;
- (z) subscription to —
 - (i) equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form;
 - (ii) any units of any mutual fund referred to in Schedule VII (Table: Sl. No. 20 or 21) and approved by the Board on an application made by such mutual fund in the prescribed form and if the amount of subscription to such units is subscribed only in the eligible issue of capital of any company.

2. Payment on insurance policy. –

- (1) The deductions shall apply only to so much of any premium or other payment made on an insurance policy, other than a contract for a deferred annuity, –
 - (a) as is up to 20% of the actual capital sum assured, in respect of a policy issued on or before the 31st March, 2012;
 - (b) as is up to 10% of the actual capital sum assured, in respect of a policy issued on or after the 1st April, 2012;
 - (c) as is up to 15% of the actual capital sum assured, if the policy is issued on or after the 1st April, 2013 and where such policy covers the life of, –
 - (i) a person with a disability or severe disability as referred to in section 154; or
 - (ii) a person suffering from a disease or ailment specified in the rules made under section 128.
- (2) In this paragraph, “actual capital sum assured” shall mean the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account –
 - (a) the value of any premiums agreed to be returned; or
 - (b) any 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.

3. Payments made for purchase or construction of residential house property. –

The deduction in respect of amount spent for purchase or construction of a residential house property as provided in paragraph 1(r) shall –

- (a) include payments that are made towards or by way of –
 - (i) any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or
 - (ii) any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or
 - (iii) repayment of the amount borrowed by the assessee from –
 - (A) the Central Government or any State Government; or

- (B) any bank, including a co-operative bank; or
 - (C) the Life Insurance Corporation; or
 - (D) the National Housing Bank; or
 - (E) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is eligible for deduction under section 32(e); or
 - (F) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses; or
 - (G) the employer where such employer is an authority or a board or a corporation or any other body established or constituted under a Central Act or State Act; or
 - (H) the employer of the assessee where such employer is a public company or a public sector company or a University established by law or a college affiliated to such University or a local authority or a co-operative society; or
- (iv) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee;
- (b) not include any payment towards or by way of —
- (i) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or
 - (ii) the cost of any addition or alteration to, or renovation or repair of, the house property, which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue it, or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf, or been let out; or
 - (iii) any expenditure in respect of which deduction is allowable under section 22.
4. Disallowance of and taxation of deduction already allowed. —

The deductions in the nature of payments specified in column B of the Table below shall not be allowable in the tax year in which the conditions specified in column C of the said Table are fulfilled, and the aggregate