

CHAPTER - II  
NATURE OF VERIOUS RELIEFS  
UNDER THE ACT

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### NATURE OF VARIOUS RELIEFS UNDER THE ACT

#### 2.1 EXEMPTIONS :

The Income tax Act, 1961, provides different reliefs which may be more particularly called or grouped as deductions which are available to every type of an assessee. These deductions are contained under the head, "Incomes which do not form part of total income", under chapter-III of the said Act. The relevant provisions are covered by sec.10 which is further grouped under thirtyone specific exemptions. Apart from this, sec.10A deals with provisions in respect of newly established undertaking in free trade zones, sec.10B deals with hundred per cent export oriented undertakings, sec.11 deals with Income of charitable or religious Institutions, sec.12 deals with Income of trust or Institution from contributions, sec.13A deals with Incomes of political parties. All these instances of Incomes under Chapter-III are altogether exempt from tax under the terms & conditions contained under each exemption. As such these are general exemptions.

The particulars of the exemptions are as under :-

#### Incomes not included in total income -

In computing the total income of a previous year of any person, any income falling within any of the following incomes

shall not be included, -i.e. these incomes are excluded from tax.

- 1) Agricultural Income, Sec. 10(1)
- 2) Receipts by a member from a Hindu Undivided Family, Sec. 10(2)
- 3) Casual & non-recurring receipts, Sec. 10(3)
- 4) Interest to non-residents, Sec. 10(4)
- 5) Leave travel Concession to an Indian citizen, Sec. 10(5)
- 6) Remuneration in respect of shooting of any cinematography film in India, Sec. 10(5A)
- 7) Value of concessional passage to a foreign national employee, Sec. 10(6)(i)
- 8) Re-muneration received by a foreign diplomat & other foreign nationals, Sec. 10(6)(ii)
- 9) Remuneration paid to employees of philanthropic institution, Sec. 10(6)(viA)
- 10) Remuneration of a foreign technician in India, Sec. 10(6)(viia)
- 11) Salary received by a ships crew, Sec. 10(6)(viii)
- 12) Salary of a foreign national as a professor or teacher, Sec. 10(6)(ix)
- 13) Sum received by foreign research scholar, Sec. 10(6)(x)
- 14) Remuneration of foreign trainee , Sec. 10(6)(xi)
- 15) Exemption from tax paid on behalf of foreign companies in respect of certain income , Sec. 10(6A)
- 16) Tax paid on behalf of non-resident , Sec. 10(6B)
- 17) Technical fees received by a notified foreign company , Sec. 10(6C)
- 18) Foreign allowance, Sec. 10(7)

- 19) Income of a foreign Government employee under co-operative technical assistance programmes, Sec.10(8)
- 20) Income of family members of an employee serving under a co-operative technical assistance programme Sec. 10(9)
- 21) Gratuity Sec. 10(10)
- 22) Pension & leave salary Sec. 10(10A)
- 23) Retrenchment compensation Sec. 10(10B)
- 24) Payment from an approved public sector company at the time of voluntary retirement sec. 10(10C)
- 25) Payment from provident fund Sec. 10(11),(12)
- 26) Payment from an approved superannuation fund Sec. 10(13)
- 27) House Rent Allowance Sec. 10(13A)
- 28) Special Allowance Sec. 10(14)
- 29) Income received as exchange risk premium Sec. 10(14A)
- 30) Interest on securities Sec. 10(15)
- 31) Aircraft lease rent payable to foreign Government
- 32) Educational Scholarship Sec. 10(16)
- 33) Daily allowance of ~~M~~Members of Parliament Sec.10(17)
- 34) Award , Sec. 10(17A)
- 35) Former ruler of India States Sec. 10(18A) & (19A)
- 36) Income of local authority Sec. 10(20)
- 37) Income of housing authority Sec. 10(20A)
- 38) Income of Scientific research association ,Sec.10(21)
- 39) Income of educational institutions ,Sec.10(22)
- 40) Income of hospitals Sec. 10(22A)

- 41) Income of games association Sec.10(23)
- 42) Income of professional institution Sec.10(23A)
- 43) Income received on behalf of Regimental Fund  
Sec. 10(23AA)
- 44) Income from Khadi & village industries Sec.10(23B)
- 45) Income of Khadi & village Industries Board Sec.10(23BB)
- 46) Income of Statutory bodies for the administration  
of public charitable trust Sec. 10(23BBA)
- 47) Income of certain national funds Sec. 10(23C)
- 48) Income of Mutual Fund Sec. 10(23D)
- 49) Income of Exchange Risk Administration Fund Sec.10(23E)
- 50) Income of trade unions Sec. 10(24)
- 51) Income of pro-vident funds Sec. 10(25)
- 52) Income of a member of scheduled tribe Sec.10(26)
- 53) Income of resident of Ladakh Sec. 10(26A)
- 54) Income from Sikkim Lottery Sec. 10(26AA)
- 55) Income of a body for promoting interest scheduled  
castes/tribes, Sec. 10(26B)
- 56) Tax credit certificates Sec. 10(28)
- 57) Income of marketing authority Sec. 10(29)
- 58) Subsidy from the Tea Board Sec.10(30)
- 59) Subsidy received by planters Sec. 10(31)

These incomes are fully exempted from tax & not included in total income.

Sec.10A deals with provisions in respect of newly

established undertakings in free trade zones. In this Sec.10A are excluded from tax.

Sec.10B deals with hundred percent export oriented undertakings & Sec.11 deals with Income of charitable or religious Institutions are also exempt from tax, not included in total income.

Income of trusts or institutions from contributions  
Sec. 12

Any voluntary contributions received by a trust created wholly for charitable or religious purposes or by an institutions established wholly for such purposes (not being contributions made with a specific direction that they shall form part of the corpus of the trust or institution) shall for the purposes of Sec.11 be deemed to be income derived from property held under trust wholly for charitable or religious purposes & the provisions of that section & sec.13 shall apply accordingly.

Special provision relating to income of political Parties - Sec. 13A.

Any income of a political party which is chargeable under the head, "Income from house property" or "Income from other sources" or any income by way of voluntary contributions received by a political party from any person shall not be included in the total income of the previous year of such

political party provided that -

a) Such political party keeps & & maintains such books of account & other documents as would enable the Assessing officer to properly deduce its income therefrom;

b) in respect of each such voluntary contribution in excess of ten thousand rupees, such political party keeps & the name & address of the person who has made such contribution, and

c) the account of such political party are audited by an account<sup>ant</sup> as defined in the Explanation below - Sec.(2) of sec. 288.

Explanation :

For the purposes of this section, "political party" means an association or body of individual citizens of India registered with the Election symbols (Reservation & Allotment) order, 1968 and includes a political party deemed to be registered with that commission under the proviso to sub paragraph (2) of that paragraph.

## 2.2 Statutory deductions under each head :

The second type of a relief pertains to deductions under each head, these deductions are not general but they pertain to each head of income as such the scope of these deductions is confined to the relevant head of income. For the purpose of quick reference, the deductions are as under:-

<u>Sr.No.</u>	<u>Head of Income deductions</u>	<u>Section</u>
1	<u>Income from Salary</u>	
	Standard deduction	16(i)
	Entertainment allowance	16(II)
	Professional tax	16(iii)
2	<u>Income from House Property</u>	
	Repairs	24(1)(i)
	Insurance Premium	24(1)(ii)
	Annual charge	24(1)(iv)
	Ground rent	24(1)(v)
	Interest on borrowed capital	24(1)(vi)
	Land Revenue	24(1)(vii)
	Collection charges	24(1)(viii)
	Vacancy allowance	24(1)(ix)
	Unrealised rent	24(1)(x)
3	<u>Income from Profits &amp; Gains of business or profession.</u>	
	Rent, rates, taxes, repairs & insurance for building	30
	Repairs & insurance of machinery, plant & furniture	31



Depreciation	32
Investment allowance	32A
Investment deposit account scheme	32AB
Development allowance	33A
Tea Development account	33AB
Expenditure on Scientific research	35
Expenditure on acquisition of patent rights or copyrights	35A
Expenditure on Know How	35AB
Agricultural development allowance	35C
Rural development allowance	35CC
Payment to the associations & institutions carrying out rural programmes	35CCA
Payment to association & institution for carrying out programmes of conservation of natural resources	35CCB
Amortisation of preliminary expenses	35 <b>D</b>
Amortisation of expenditure on prospecting, etc, for development of certain minerals	35E
Insurance Premium	36(1)(i)
Insurance premium paid by federal milk co-operative society	36(1)(ia)
Insurance premium on health of employees	36(1)(ib)
Bonus or commission to employees	36(1)(ii)
Interest on borrowed capital	36(1)(iii)
Employee's contribution to recognised provident fund & approved superannuation fund	36(1)(iv)
Contribution towards approved gratuity fund	36(1)(v)
Employees contribution towards staff welfare schemes	36(1)(va)
Write of allowance for animals	36(1)(vi)
Bad debts	36(1)(vii)
Provision for bad & doubtful debts relating to rural branches of commercial banks	36(1)(viii)

Transfer to special reserve	36(1)(viii)/ (viiiia)
Family planning expenditure	36(1)(ix)
Contribution towards Exchange Risk Administration Fund	36(1)(x)
Entertainment expenditure	37(2A)
Expenditure on advertisement	37(3)
Travelling expenses	37(3)
Expenses deductible from commission earned by life insurance agents/ National Saving Certificates Selling agents	37
General deductions	

#### 4 Income from Other Sources

Deduction allowable from dividend income	57
Amount not deductible	58

The nature of these deductions are different because the deductions are only available against each head.

The third area of relief pertains to deductions which are to be made from the total income. These deductions are contained under Chapter - VI & they are also of special nature and governed by different terms & conditions. The deductions are as under :-

<u>Sr.No.</u>	<u>Particular of deductions</u>	<u>Section</u>
1	Deduction in respect of life insurance premia, contributions to provident fund, etc.	80C
2.	Deduction in respect of investment in certain new shares	80CC

3	Deduction in respect of deposit under National Saving Schemes or payment to a deferred annuity plan	80CCA
4	Deduction in respect of Medical Insurance Premia	80 CD
5	Deduction in respect of donations to certain funds, charitable institutions etc.	80G
6	Deduction in respect of rents paid	80GG
7	Deduction in respect of certain donations for scientific research or rural development	80GGA
8	Deduction in respect of Profits & gains from newly established industrial undertakings or hotel in backward areas.	80HH
9	Deduction in respect of Profits & gains from newly established small scale industrial undertaking in certain areas.	80HHA
10	Deduction in respect of Profits & gain from project outside India	80HHE
11	Deduction in respect of Profits retained for export business	80HHC
12	Deduction in respect of earnings in convertible foreign exchange	80HHD
13	Deduction in respect of Profits & gains from industrial undertakings after a certain date etc.	80I
14	Deduction in respect of Profits & gains from newly established industrial undertakings or ships or hotel business in certain cases	80J
15	Deductions in respect of interest on certain securities, dividends, etc.	80L
16	Deduction in respect of certain inter corporate dividends	80M
17	Deduction in respect of royalties, etc, from certain foreign enterprises	80-0

18	Deduction in respect of income of co-operative societies	80P
19	Deduction in respect of professional income of authors of text books in Indian languages	80QQA
20	Deduction in respect of remuneration from certain foreign sources in the case of professors, teachers, etc.	80R
21	Deduction in respect of professional income from foreign sources in certain cases	80RR
22	Deduction in respect of remuneration received for services rendered outside India	80RNA
23	Deduction in the case of totally blind or physically handicapped resident persons	80U

The nature of these deductions & the terms & the conditions relating thereto are explained elaborately under the Act.

It may be observed from the above discussion that the nature of exemptions & deduction differs from assessee to assessee & also from income to income. The most important thing is that while providing for these deductions the law makers have also kept in mind, that the deductions or exemptions are by themselves not sufficient & as such there is statutory provision for making an adjustment for losses against each head of income.

Therefore, the reliefs do not merely extend to exemptions & deductions but also cover absorption of losses under the Act. The present study, therefore, concerns with such of the provisions of this Act, as are related to such losses.

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