

S.T.HINDU COLLEGE,NAGERCOIL-629002.

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Department of Commerce

MS University

Income Tax Law and Practice-II (code-SECO6A)

III rd year B.Com., (AY 2019-2020)

Unit-IV-80G.

- **Sec.80G is talking about donations made by any assesses**
- **Ponder the following**
 - i. Donations in cash exceeding Rs.2000 not eligible
(it must be in the form of banking transfer)
 - ii. Donations to individuals is not eligible.
 - iii. Donations in kind also not ok
 - iv. Donations to political parties, for the benefit particular religion, class, creed, community also not to qualify
- **Read the question carefully**
- **Memorise the following till the examination is over**

The following are the four categories of donations

I. Donations made to the following are eligible for 100%deduction

without any qualifying limit:

- a. National defence fund set up by the central government,
- b.PM's National relief fund,
- c.PM's Armenia earthquake relief fund
- d. Africa (public contribution –(India) fund,

- e. National Foundation for Communal Harmony:
- f. University /Educational Institution of National Eminence approved by the prescribed authority IITs IISCs etc ;
- g. Maharashtra Chief Minister's Earthquake Relief Fund;
- h. Any fund set by the State Government of Gujarat, exclusively for providing relief to the victims of earthquake in Gujarat;
- i. Zila Saksharta Samiti
- j. National Blood Transfusion Council or any State Blood Transfusion Council;
- k. Any fund set by a State government to provide medical relief to the poor;
- l. The Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund;
- m. The Andhra Pradesh Chief Ministers Cyclone Relief Fund, 1996;
- n. National illness Assistance Fund;
- o. The Chief Ministers Relief Fund or the Lieutenant governors Relief Fund in respect of any State or Union Territory, as the case may be;
- p. National sports Fund set up by the Central Government;
- q. National cultural Fund set up by the Central Government;
- r. Fund for Technology Development and Application, set up by the Central Government:
- s. National Trust for Welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities
- t. National Children fund(100% allowed. W.e.f A Y 2014-15)
- u. Swachh Bharat Kosh
- v. Clean Ganga fund
- w. National fund setup for control of drug abuse

II. Donations made to the following are eligible for 50% deduction without any qualifying limit:

1. Jawarhalal Nehru Memorial Fund;
2. Prime Minister's drought Relief Fund;
3. Indira Gandhi Memorial Trust;
4. Rajiv Gandhi Foundation.

(please find some coherence –mug up is easy)

III. Donations made to the following are eligible for 100% deduction subject to qualifying limit:

- i. Donation to Government or any approved local authority, institution or association to be utilized for promoting family planning.
- ii. Any sums paid by the assessee, being a company in the previous year as donations to Indian Olympic Association or to any other association or Institution established in India and notified by the Central Government for
 - a. The development of infrastructure for sports and games;
 - or
 - b. The sponsorship of sports and games.

(Only company assesses are eligible , students of III yr B.com., need to assess individuals alone)

IV. Donations made to the following are eligible for 50% deduction subject to qualifying limit:

- i. Donation to Government or any approval local authority, institution or association to be utilized for any charitable purpose other than promoting family planning.
- ii. Any other fund or institution which satisfies the conditions of section 80G(5)
- iii. To any authority constituted in India by or under any law for satisfying the need for housing accommodation or for the purpose of planning development or improvement of cities, towns and villages or for both.
- iv. To any corporation established by the Central or any State Government specified under section 10(26BB) for promoting interests of the members of a minority community.
- v. Any notified temple, mosque, gurdwara, church or other place notified by the Central Government to be of historic, archaeological or artistic importance, for renovation or repair of such place.

- A student can find no difficulty in dealing with category I&II Donations – in such cases category I Donations just copy pasted in the answer under deductions from Gross Total Income (GTI)
- Similarly category II Donations amount equivalent to half of such donations (50%) copy pasted
- But category III&IV Donations require a special mechanism

The mechanism is illustrated here may be followed . clarifications can be addressed by calling 9443605733(S.SIVSANKARAN-S.T.Hindu College)

If the question comes with items belongs to III and IV category donations – a student need to workout Adjusted Gross Total Income(AGTI)

If the GTI is not given in the problem the very first task is computation of GTI

The computation of AGTI =GTI – [LTCG+STCG(subject to STT111A+other deductions under chapter VI A i.e 80C to 80U except 80G + incomes which are not taxable)]

- **If sum of deductions under category III&IV not exceeded 10% of AGTI**
 - If the sum below 10% of AGTI - category III item sum fully copy pasted like category I
 - Now category IV sums reduced to 50%- such sums also copy pasted like category II

For example:

If AGTI= Rs.60000&

III&IV category donation= Rs.50000[including Rs.10000-category III donations]

The answer is as follows

Rs.50000-10000=40000

40000*50/100=20000

10000(category III donation) +20000(category IV donation)=30000 Final deduction under sec G

- **If sum of deductions under category III&IV exceeded 10% of AGTI**

- Mind it [10% of AGTI or total sum of category III& IV whichever is lower is permissible as deduction]

For example:

If AGTI =Rs.50000 &

III&IV category donations =Rs.60000[including Rs.15000- category III donations]

The answer is as follows

Rs.50000 – 15000 =35000

35000 * 50/100= 17,500

Therefore amount eligible for deduction under section G =15,000+17500= 32500.

An aspiring student can better learn from the following illustrations

1. Sri Anand earned gross total income of Rs.5,00,000 in the previous year 2018-19 and made the following donations during the year;

- a. Rs.10,000 to Chief Minister's Earthquake relief Fund .
- b. Rs.15000 to National Foundation for Communal Harmony.
- c. Rs.4000o to Municipal Corporation approved for promotion of family planning.
- d. Rs.25000 to approval institutions.

Compute the amount of deduction admissible to him u/s 80Gfor the AY2019-20.

Solution

Note:

i. donations to C.M earthquake relief fund and National foundation for communal harmony are 'No limit' donations.100% of amount given is deductible from GTI.

ii. Donations given for promotion of family planning and approved institutions are 'with limit' donations. 10% adjusted GTI(i.e., GTI-LTCG-Other deductions from 80C to 80U except 80G) or actual donation whichever lower is taken as qualifying amount. Out of Q.A, donation for promotion of family planning is deductible @100% and donation to approved institutions is deductible @50%

computation of Deduction u/s 80G and taxable income of

Sri. Anand for the AY2019-20

	Rs	Rs	Rs
Gross Total Income(given in the qn)			500000
Less: deduction u/s 80G:			
No limit donation-100% deductible:		10000	
C.M.Earthquake relief fund (10000*100%)			
National foundation for communal Harmony(15,000*100%)		15000	
With limit donation:			
Donation for promotion of F.P	40000		
Donation to approved institutions	25000		
Or			
10% AGTI (500000*10%)=50000			
W.E.L. is Q.A Q.A=50000			
Donation for promotion of FP is deductible@100% out of Q.A(40000*100%)		40000	
Donation to approved institutions is deductible @50% from balance Q.A:50000-40000=10000*50		5000	70000
Therefore taxable income =			430000

2.The GTI of Mrs. Usha amounted to Rs.7,00,000 Including long term capital gain of Rs 55,000 and Deductions under 80C Rs 45,000 in the previous year ending on 31st march 2019.She has made the following donations during the year

- a. To Gujarat earthquake relief fund Rs 40,000
- b. To Africa public contributions fund Rs 10,000
- c. To approved educational institutions Rs 15,000
- d. To approved temples Rs 35,000

e. Clothes distributed to poor Rs 5,000

f. To municipal corporation for promotion of family planning Rs 20,000

g. To post graduate medical institute Pondicherry for helping the poor and needy in cash Rs 20,000

h. To the clean Ganga fund Rs 20,000

you are required to compute the amount eligible for deduction under section 80G

answer notes (the following need not be written in the answer book but for your understanding):

1. items a,b,h under I category hence fully eligible

2. AGTI = 7,00,000 - 55,000 + 45,000 = 6,00,000

3. 10% AGTI = 60,000

4. aggregation of category III & IV donations (c,d,f) = 70,000

5 hence maximum amount subject to 60,000.

6. clothes distributed to poor not eligible – which is in kind

7. donation in cash and to individuals not qualifies as per the provisions of sec 80G

8. please note that in the above problem there is no item pertaining to category II

Solution

Computation of amount eligible for deduction under section 80 g

Name of the assessee : Mrs Usha

PY : 2018-2019

AY : 2019-2020

PAN : ABCDE1234F (Assumed)

a. To Gujarat earthquake relief fund Rs 40,000

b. To Africa public contributions fund Rs 10,000

h. To the clean Ganga fund Rs 20,000

total of category I donations

Rs 70,000

10% of AGTI=60,000 (or)

Total of category III&IV donations= Rs 70,000

Hence whichever is lower = Rs 60,000

f. To municipal corporation for promotion of family planning

(category III DONATION)

Rs 20,000

(60,000-20,000) On balance of Rs.40,000*50/100=

Rs.20,000

Total deduction=

Rs.1,10,000