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Paper VIII th

Taxation

Deduction in respect of interest on certain securities, dividend, etc (Section 80h)

Where the gross total income of an assessee, being: (a) an individual or (b) a Hindu undivided family, includes any income by way of: (i) interest on any security of the Central Government or a State Government (ii) interest on N.S.C (vi) Issue or N.S.C (vii) Issue or N.S.C (viii) Issue issued under the Government Savings Certificates Act 1959 (iii) interest on such debentures issued by any institution or authority or any public sector company or any co-operative society (including a co-operative land mortgage bank) as the Central Government may, by notification in the Official Gazette, specify in this behalf (iv) interest of deposit under such National Deposit Scheme as may be framed by the Central Government and notified by it in this behalf in the Official Gazette (v) interest on deposits under

any other scheme formed by the Central Government and notified by it in the Official Gazette (iii) interest on deposits under the Post Office (Monthly Income Account Rules) 1987 (vi) dividends from any Indian company (this clause shall be omitted w.e.f. 1-11-2007) (v) income received in respect of units held in the Unit Trust of India established under the Unit Trust of India Act 1952 and other than the income arising from the transfer of such units (this clause shall be omitted w.e.f. 1-11-2007); (vi) income received in respect of units of Mutual Fund specified under clause (2D) of section 10 other than the income arising from transfer of such units (this clause shall be omitted w.e.f. 1-11-2007) (vii) interest on deposits with a banking company to which the Banking Regulation Act 1949 applies, or a co-operative society engaged in carrying on the business of banking (including a co-operative and non-profit bank or co-operative land development bank); (viii) interest on deposit with any such bank not being a banking company or co-operative society referred to in clause (vi) but being a bank established by or under any law made by Parliament, or may be approved

(3)

by the Central Government for the purposes of this clause (vii) interest on deposits with a financial corporation which is engaged in providing long-term finance for industrial development in India and which is eligible for deduction under clause (vi) of sub-section (1) of section 36; (viiia) interest on deposits with any authority constituted in India by or under any law enacted for the purpose of dealing with satisfying the need for housing accommodation or for the purpose for planning in development of cities, towns and villages or for both (viii) interest on deposits with a co-operative society not being a co-operative society referred to in clause (vi) made by a member of the society or (ix) dividends received from any co-operative society (x) interest on deposits with 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 house in India for residential purposes and which is eligible for deduction under clause (viii) of sub-section (1) of Section 36.

The deduction referred to above shall be as follows: -

(4)

(1) in a case where the amount of such income does not exceed in the aggregate rupees 12000, the whole of such amount and
(2) in other case rupees 12000.

The proviso provides that where any income referred in clause (1) remains unallowed after the deduction under the foregoing provisions of this section, there shall be allowed in computing the total income of the assessee, an additional deduction of an amount equal to so much of such income as has remained unallowed; so however that the amount of such additional deduction shall not exceed Rs 3000.

For the removal of doubts, it is hereby declared that where the income referred to in this section is derived from any asset held by, or on behalf of a firm or an association of persons or a body of individuals no deduction shall be allowed under the said sub-section in respect of such income in computing the total income of any partner of the firm or any member of the association or body.

For this purpose, the expression "security" means a government security as defined in clause (2) of section 2 of the Public Debt Act 1944.