# 10 lesser known Income Tax Deductions

We all know about the popularly know deductions like deduction u/s. 80C & 80D. But many times we

use to forget to claim many other deductions which are available under the Income Tax Act, which can

reduce our tax burden significantly. In this article we discussed 10 such lesser know deductions which

taxpayers tend to forget to claim while filing there Income Tax Return.

**1. Set off of Capital Loss Against Capital Gain**

While most of us know that we need to pay taxes on short term or long term capital gains, not many

are aware of the fact that capital losses, if any, can be balanced off against gains. So, for instance, if

you have made a long-term capital gain of Rs 15 lakh by selling off your property and long-term

capital loss of Rs 3 lakh by selling stocks which are either not listed or are sold off market , the total

taxable amount would be Rs 12 lakh.

Please note Capital Gain on Sale of Shares sold through Stock Exchange cannot be set off against other

capital gain as profit from sale of shares of listed companies through stock exchange in exempt.

It is important to note that short term losses can be balanced off against both short term as well as long

term capital gains. However, long term capital losses can only be balanced off against long term capital

gains.

2. Deductions under section 80GG in respect of rent paid :Deduction to the extent of Rs 2,000 per

month or 25 per cent of total income (whichever is less) is available under Section 80GG of the I-T Act in

respect of rent paid by an individual on his accommodation, provided the individual does not get any

house rent allowance.

3. Medical treatment of specified ailments under section 80DDB:-Deductions of expenses on medical

treatment of specified ailments (such as AIDS, cancer and neurological diseases) can be claimed under

Section 80DDB. The maximum amount of deduction allowed from gross total income is restricted to

Rs 40,000 (which goes up to Rs 60,000 if the age of the person treated is 60 years or more) on condition

that no medical reimbursement is received from any insurance company or employer for this amount.

In order to claim this deduction, however, you will have to submit Form 10-1 from a specialist doctor

working in a government hospital in India, confirming the treatment of the disease.

4. Deduction under section 80U for Person with disability:-Under Section 80U of the Act, an individual

who is certified by the prescribed medical authority to be a person with disability shall be allowed a

deduction of Rs 50,000 and an individual, who is certified as a person with severe disability, shall be

allowed a deduction of Rs 75,000. W.e.f. 01.04.2010 this limit has been raised to Rs. 1 lakh.

5. Charitable deductions under section 80G: Deduction is also available under Section 80G of the I-T Act

in respect of donations made by an individual to certain funds, charitable institutions and so on. There is

no restriction on the amount of charity. The rate of deduction, however, is either 50 or 100 per cent,

depending on the choice of trust. Also, donations must be made to registered institutions only.This

includes any amount contributed to a recognised political party. It can be claimed as a deduction under

Section 80GGC (80GGB for corporates). This is a new deduction and was introduced in April 2010.

Donations to institutions involved in scientific research or rural development get exemption under

Section 80GGA. The donation can also be made to an electoral trust that works for conducting elections.

Interestingly, unlike other deductions, there is no ceiling on the amount that can be claimed as

deduction. Of course, this doesn’t mean one can claim deduction for cash payments. The deduction is

available only if the sum goes into the party coffers. The quantum of deduction depends on the nature

of the organisation. For instance, money given to certain establishments, such as the National Defence

Fund, the Prime Minister’s National Relief Fund and the Chief Minister’s Relief Fund enjoy 100%

deduction.On the other hand, NGOs such as Child Rights and You, Helpage India and the National

Children’s Fund give you only 50% deduction. So, it’s a good idea to find out how much deduction is

available before you write out a cheque. However, you cannot use this route to evade tax by bringing

down your income tax slab. There is a ceiling on the deduction a taxpayer can claim in a year. The

quantum of deduction is limited to 10% of the gross total income of the donor. Also, only cash donations

are taken into account.

Donations of food, clothes and medicines do not qualify for such a deduction.

6. Interest on loan taken for higher education & vocational courses. :- Taxpayers also tend to forget that

the interest paid on an education loan taken for higher studies or vocational curses qualifies for

deduction under Section 80E of the I-T Act. Also, effective April 1, 2008, the said deduction is also

available where the loan is taken for the purpose of higher education of spouse or children of the

individual or the student for whom the individual is a legal guardian. Thus, if you have taken a loan for

higher education, don’t forget to make your claim. Also remember that the deduction benefit on

interest is allowed for maximum eight years, or till the interest is fully paid.

7. Interest paid on a second home loan is fully deductible :- The tax benefits of a home loan are well

known. Under Section 24b, one can claim a deduction of up to Rs 2 lakh a year for the interest paid. If

the taxpayer buys a second house through another home loan and gives it on rent, the entire interest

paid on the home loan during a given year can be claimed as deduction. If you have more than one

house, any one is deemed to be rented out. So the interest income on the home loan for that house can

be claimed entirely for deduction, provided the rental income or deemed income is taxable.

**Taxability of second House under Income Tax Act,1961**

8. HRA as well as home loan benefits:-

If you took a home loan and are still living in a rented place, you will be entitled to:

1. Tax benefit on principal repayment under Section 80C

2. Tax benefit on interest payment under Section 24

3. HRA benefit

Of course, you can claim tax benefits on the home loan only if your home is ready to live in during that

financial year. Once the construction on your home is complete, the HRA benefit stops. If you took a

home loan, got possession of the house, have rented it out and stay in a rented accommodation, you

will be entitled to all the three benefits mentioned above. However, in this case, the rent you receive

would be considered as your taxable income.

**House Rent Allowance (HRA) Taxability & calculation**

9. Save tax through your family - Simplest way of saving tax is by investing through parents, parent in

laws, wife and children. If you invest in the right instrument, the rate of return may be higher as well.

Here is how we can save tax through our family members. Read Following Post for more details :- Tax

**Planning- Save tax through your family**

10. Repairs and maintenance of house property – You will never forget to claim deduction of interest on

repayment of your home loan, but not many people know that any interest paid on home loan for

reconstruction or repair of the “house property” qualifies for deduction of up to 30,000, subject to the

overall limit of 2,00,000.

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