

## **Prioritising education**

HT Chandigarh Live  
Tax Matters/ S.P. Babuta  
Sunday, February 19, 2006

If you want to teach a child teach her grand parents. It seems that this proverb does not hold good in current scenario. Because as per the income tax act deduction to the tune of Rs.100000 is admissible under section 80C for expenses incurred on education of children only. One fails to understand that If education is one of the priorities in India then what difference does it make as to whom education is given out of the expenditure incurred, if it is a genuine expense and has been actually incurred only for educational purposes ? Be it for the education of children, mother, father or anybody else. Some pertinent issues on education are as follows:

**Q1:** Who are eligible for deduction u/s 80C for payment of tuition fees?

**Ans:**As per section 80C(4)(c) Only Individuals are eligible for deduction u/s 80C(2)(xvii).

**Q2:** On Whose tuition fees deduction is available?

**Ans:** Deduction is available for payment of tuition fees of Children only (Upto the maximum of 2 children)

**Q3:**Is Payment of development fees, donation and other charges paid for the education of children also eligible?

**Ans:**No, only the tuition fees paid is eligible for this deduction.

**Q4:** Is there any limit for the amount of deduction?

**Ans:**This deduction is available under the overall limit prescribed u/s 80C. However there is no sectoral cap. One can spend Whole of Rs. 1 Lacs on education of children and get the deduction.

**Q5:**Is payment made for education outside India covered?

**Ans:** No, Only education in schools, colleges, university and other educational institution situated in India is covered.

**Q6:**Is payment made for part time education is covered?

**Ans:** No, for the purpose of this section only full time education is covered.

**Q7:**Tuition fee for a child has been paid by Father , Mother and HUF of which child is a member .Whether all the three payers are entitled to rebate u/s 80C?

**Ans:** As per sec 80C (2)(xvii) read with section 80C(4)(c),both the parents will be entitled to deduction under section 80C as both of them meet all the conditions mentioned in sec. 80C. However HUF is not eligible for deduction against payment of tuition fees.

**Another rebate linked to providing of education is that available under section 80E.**

**This rebate entitles deduction on account of interest on education loan for pursuing higher studies.(Prior to asst year2006-07even the repayment of the education loan was allowed to be claimed as a rebate under section 80E ) This again goes against the tenets of the belief that education is still a priority in India.Moreover the banks are willing to give Rs.4 lacs as education loan comfortably above which even they insist for collateral security.The question arises ,where does the poor citizen of India go,or is education only a privilege of the rich and a cause of ruin or bane for the poor.**

**Q8:Is there any Amount limit for deduction u/s 80E?**

**Ans:**No, An individual is entitled to 100% deduction on payment of interest on loan taken from any financial institution or any approved charitable institution for the purpose of pursuing his higher education provided that the payment is made out of income chargeable to tax.

**Q9:Is there any time limit for deduction u/s 80E?**

**Ans:** Yes, this deduction shall be available for a maximum period of 8 consecutive assessment years beginning from the assessment year in which assessee starts repaying interest on loan .

**Q10:What does approved charitable institution ,financial institution and higher education for the purpose of this section mean?**

**Ans: ‘Approved Charitable Institution’** means an Institution specified in or as the case may be, an institution established for charitable purposes and notified by the central government u/s 10(23C ) or an institution referred to in section 80G(2)(a).

**‘Financial Institution’** means a banking Company to which Banking Regulation act 1949 applies including any bank or banking institution referred to in section 51 of that act, or any other financial institution which the central government may by notification in the official gazette ,approve in this behalf.

**‘Higher education’** means full times study for any graduate or Post graduate course in Engineering, Medicines, Management or for post graduate course in applied sciences or pure science including Mathematics and statistics.