Deduction in respect of Contribution to Unit-linked Insurance plan - Section 80C

When deduction can be claimed?

The contributions, for the above mentioned on "payment" basis. Payments made under these heads during the previous year are qualified for the purpose of deduction, regardless of the fact whether the payments relate to the previous year or years preceding or ensuing the previous year.

Minimum period of holding: 5 Years

Consequences of surrender of policy before maturity

- ***Any Contribution** made towards the above plan **in the previous year** in which the taxpayer **surrenders the policy, will not be qualified** for **deduction.***
- *The **total of deduction already taken** in the preceding years would be **deemed as income** of the taxpayer **in the year** in which contribution to the **plan is surrenders**.*
- *The entire sum receivable in taxable.*

Treatment on maturity

- *On maturity up to 1/3rd of the maturity amount, if withdrawn, is tax free.*
- *Pension received on the remaining 2/3rd amount is taxed as per the individuals tax slab.*

Deduction in respect of Contribution to Unit-linked Pension plan - Section 80CCC

Section 80CCC of Income Tax Act,1961 deals with deduction and income in respect of contribution to annuity plans of Life Insurance Corporation of India or any other insurer for receiving annuity or pension by an assessee which is one of the important deductions.

Who can avail deduction under Section 80CCC?

*The only condition to be fulfilled to avail deduction under Section 80CCC is that assessee should be an **individual.** Non individual assessee such as Company, HUF, AOP, BOI etc can't avail this deduction. Other than this, there is no other condition for the applicability of this section. **Both resident and non resident individuals can claim this deduction.***

Qualifying Conditions for Deduction under Section 80CCC:

Following are the pre-requisites for claiming deduction under section 80CCC-

- *Individual (only individuals can claim this benefit)*
- *Investment out of income chargeable to tax (income not chargeable to tax doesn't provide benefit of this section)*
- *Payment to annuity plans of Life Insurance Corporation of India or **any other insurer** for receiving pension from a fund referred to in section 10(23AAB). (Investment to other unregistered schemes or to unregistered insurers shall not be eligible of the deduction).*

Limit of Deduction Allowed

*The maximum deduction allowed under Section 80CCC has been increased from Rs. 1 lakh to **Rs 1.5 Lakhs by Finance Act, 2015 to be applicable from 1st day of April, 2016.***

***Note:** If the amount deposited in a pension Fund has been claimed as a deduction under this Section, it should not be claimed as a deduction under any other section of the Income Tax Act.*

TAX TREATMENT ON RECEIVING BACK THE FUNDS INVESTED

The amount that is deposited in the pension fund is received back by the taxpayer after a specified time as pension on a monthly basis. In case the taxpayer surrenders the policy, the amount deposited by him would also be returned back with interest.

The amount so received as annuity or on surrender of the policy by the taxpayer himself or by the nominee which has earlier been claimed as a deduction under Section 80CCC would be taxable at the time of receipt as per the Income Tax Slabs of the taxpayer for the year in which the amount is received. From the amount received from the Pension Fund, certain exemptions are also allowed under Section 10 before the levy of income tax.