

Check before you donate: Will you get 50% or 100% tax benefit under Section 80G?

It is that time of the year (Jan-March) when you're looking out for ways to save tax as much as you can. You have already taken full advantage of the deduction under section 80C, bought a health insurance and are looking for other deductions available under the Income Tax Act, 1961 to save tax.

One other way you can save tax while doing some good work is by using the deductions available under Section 80G of this Act. Section 80G of the I-T Act allows donations made to specified relief funds and charitable institutions as a deduction from gross total income before arriving at taxable income.

Be careful about which entity you donate to as you will not be able to claim any deduction on donations to entities which are not notified for this purpose by the income tax department. Also, even on donations to notified entities, you can claim 100% deduction only on donations to a specified list. Read on to know more.

Who can avail the benefit

Deduction under this section is not restricted to any specific category of persons/ assesseees. This deduction can be availed by any assessee who makes a donation to the notified institutions and the relief funds set up by the government.

However, one must remember that any donation made to foreign trusts and political parties do not qualify for deduction under this section. Any donation to political parties made by an Individual can be claimed as a deduction under the section 80GGC of the I-T Act.

Mode of Payment

A deduction can be claimed under section 80G only when the contribution is made to specified funds and institutions either via cheque or cash.

Currently, the maximum amount of deduction allowed on the contribution made through cash is Rs. 10,000. There is no maximum limit on the deduction amount if made by cheque or digital payment methods.

Budget 2017 has proposed to restrict the maximum amount of contribution by cash that can be claimed as a deduction to Rs. 2000. This is aimed at curbing the misuse of the deduction allowed on such cash donations by people using fake donation receipts.

Please note that any donation made in kind such as in the form of clothes, food rations etc. cannot be claimed as deductions under this section.

Amount of donation that can be claimed as deduction from income

The amount of donation which can be claimed as a deduction under section 80G is determined as per certain rules. You can claim either 100% or 50% of the amount donated as a deduction subject to 'With' or 'Without' the upper limit.

How much of the amount donated can be claimed as deduction and whether with or without upper limit depends on the entity to which you are donating. Therefore, choose the recipient of your charity with care.

The income tax department has notified (and periodically updates) a list of institutions/entities specifying the limit on the deduction that can be claimed on donations made to each entity.

Deduction on donation without upper limit: When the 'without upper limit' clause is applicable on the donation made to an entity, then the donor can claim either 50% or 100% of the donation amount without any other limitation.

The Prime Minister's National Relief Fund and the National Defence Fund are some examples of funds set up by the central government on which 'without upper limit' and 100% deduction clauses are applicable. An Individual can claim deduction on 100% of the amount donated.

Trust funds like Jawahar Lal Nehru Memorial Fund and Prime Minister's Drought Fund allow the donor to claim only 50% of the amount donated- as deduction.

Deduction on donations 'With upper limit': On the institutions where the 'With upper limit' clause is applicable then deduction can be claimed as either 100% or 50% (whichever is permitted for that specific entity) of 10% of the Gross adjusted income of the individual.

Gross Adjusted income for this purpose is calculated as Gross Total Income minus (i) all exempted incomes, (ii) long-term capital gains and, (iii) all deductions under section 80C to 80U except for 80G.

Donations made to the Government or any local authority for the promotion of family planning qualify for claiming deduction of 100% of the 10% of the Gross adjusted income.

Donation made for any purpose other than the promotion of family planning, to the Government or any local authority, or for repairs or renovation of any notified temple, mosque, gurudwara, church or another religious place qualify for claiming deduction of 50% of the 10% of the Gross adjusted income.

Documents Required

To avail, the deduction one must provide the standard receipt issued by the trust/donee entity as proof of the donation made. While taking the receipt, one must make sure that the receipt contains the name, address, Pan Number of the trust, the registration number of the trust, name of the donor and amount donated, written in words and figures.

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