

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

TAX CONCESSION ON EDUCATION LOAN

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Section 80E of the Income Tax Act, 1961 provides for a deduction to an assessee (being an individual), out of his income chargeable to tax, on account of any amount paid by him in the previous year by way of interest on loan taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education or for the purpose of higher education of his relative.

Under the earlier provisions, the deduction was available only for pursuing full time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied sciences or pure sciences including mathematics and statistics.

The provisions of the aforesaid section 80E were amended vide the Finance (No. 2) Act, 2009 by substitution clause (c) of sub-section (3) so as to extend its scope to cover all fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognized by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so.

The above-mentioned tax incentive can be claimed by an individual depending on the amount he/she spends by way of interest on loan for higher education. There is no fund earmarked for this purpose. The expense to the Government is in the form of revenue forgone on account of such claims during a financial year. The revenue forgone during the year 2010-11 on account of deduction under section 80E, as reported in the Receipts Budget 2012-13, is Rs. 138 crores.

This information was given by the Minister of State for Finance, Shri S.S. Palanimanickam in written reply to a question in the Rajya Sabha today.

DSM/SS/SL