

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:724
ANSWERED ON:12.11.2010
TAX CONCESSION ON INTEREST ON EDUCATIONAL LOANS
Reddy Shri Komatireddy Raj Gopal

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has extended tax concession on interest paid on education loan to students especially belong to weaker sections;
- (b) if so, the details thereof ; and
- (c) the funds earmarked for this purpose?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a) & (b) Section 80E of the Income-tax Act, 1961 provides for a deduction to an assessee, being an individual, on account of any amount paid by him in the previous year, out of his income chargeable to tax, 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.

With the objective of fostering human capital formation in the country, the provisions of section 80E have been amended vide the Finance (No.2) Act, 2009 by substituting 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 recognised 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. Further, clause (e) has also been substituted to widen the scope of the term "relative" so as to include a student for whom the individual assessee is the legal guardian.

(c) 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 on account of deduction under section 80E, as reported in the Receipt Budget, 2010, was Rs. 126 crores during the year 2008-09.