

New Delhi Dated the 9<sup>th</sup> February, 2010.

**Sub: Clarification regarding deduction in respect of contribution to pension scheme under Section 80 CCD – matter reg.**

A number of representations have been received regarding deduction under Section 80 CCD for contribution made under pension scheme in the light of **Circular No-1 /2010 dated 11<sup>th</sup> Jan'2010** issued on the subject of Deduction of Tax at Source etc.

It is clarified that in accordance with the provisions of Section 80 CCD, deduction in respect of contribution made by an individual in the previous year to his account under a pension scheme notified, is allowed in computation of his total income –

- (a) in the case of an employee, ten per cent of his salary in the previous year; and
  - (b) in any other case, ten per cent of his gross total income in the previous year.
2. It is further clarified that where the **Central Government** or **any other employer** makes any contribution to the account of employee for the pension scheme, the assessee shall also be allowed a deduction in the computation of his total income of the whole of the amount contributed by the Central Govt. or any other employer as does not exceed 10% of his salary in the previous year.
3. Salary for the purpose of above section (80 CCD) includes dearness allowance if the terms of employment so provide, but excludes all other allowances and perquisites.
4. It is further clarified that aggregate limit of deduction under this section (80 CCD) along with Sections 80 C, 80 CCC shall not in any case exceed Rs. one lakh.

Yours faithfully,

**(Ansuman Pattnaik)**  
**Director (Budget)**

To,  
All DDOs of Central Government, State Governments, CAG & other persons as per standard list