taxsutra All rights reserved

INCOME-TAX ACT, 2025

B.: Deductions in respect of certain payments

Section 129 - Deduction in respect of interest on loan taken for higher education.

(1) An assessee, being an individual, shall be allowed a deduction of amount paid as interest during a tax year, subject to the provisions of this section, on a loan taken by him from any financial institution or any approved charitable institution, if the––

(a) loan taken is for the purpose of pursuing higher education of himself or his relative; and

(b) payment is made out of his income chargeable to tax.

(2) The deduction referred to in sub-section (1) shall be allowed in computing the total income in respect of the initial tax year and seven tax years immediately succeeding the initial tax year, or until the interest referred to in sub-section (1) is fully paid by the assessee, whichever is earlier.

(3) For the purposes of this section,—

(a) “approved charitable institution” means a registered non-profit organisation where it was approved earlier under the provisions of section 10(23C) of the Income-tax Act, 1961, or an institution referred to in section 80G(2)(a) of the said Act;

(b) “financial institution” means a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act) or any other financial institution which the Central Government may, by notification, specify;

(c) “higher education” means any course of study pursued after passing the Senior Secondary Examination or its equivalent from a school, board, or University recognised by the Central Government or State Government, local authority, or by any authority authorised by the Central Government or State Government or local authority to do so;

(d) “initial tax year” means the tax year in which the assessee starts paying the interest on the loan;

(e) “relative”, in relation to an individual, means the spouse and children of that individual, or the student for whom the individual is the legal guardian.

Downloaded by @weboapps.com at 29/11/26 03:20pm