

**F. No.370142 /61/2021-TPL
Government of India
Ministry of Finance
Department of Revenue
(Central Board of Direct Taxes)**

Dated: 19th January, 2022

Sub: Guidelines under clause (10D) section 10 of the Income-tax Act, 1961 - reg.

Clause (10D) of section 10 of the Income-tax Act, 1961 (the Act) provides for income-tax exemption on the sum received under a life insurance policy, including any sum allocated by way of bonus on such policy subject to certain exclusions.

2. The Finance Act, 2021 amended clause (10D) of section 10 of the Act by inserting fourth to seventh provisos. Fourth proviso provides that, with effect from 01.02.2021, the sum received under a Unit Linked Insurance Policy (ULIP), issued on or after 01.02.2021, shall not be exempt under the said clause if the amount of premium payable for any of the previous years during the term of such policy exceeds Rs 2,50,000. Further, fifth proviso provides that if premium is payable for more than one ULIP, issued on or after 01.02.2021, the exemption under the said clause shall be available only with respect to such policies where the aggregate premium does not exceed Rs 2,50,000 for any of the previous years during the term of any of those policies. Sixth proviso provides that the fourth and fifth provisos shall not apply in case of sum received on death of the person.

3. Seventh proviso to the said clause (10D) also empowers the Central Board of Direct Taxes (Board) to issue guidelines, with the previous approval of the Central Government, in order to remove any difficulty which arises while giving effect to the provisions of the said clause. In exercise of the powers under this proviso, Board, with the previous approval of the Central Government, hereby issues the following guidelines.

4. Sum received including any sum allocated by way of bonus (hereinafter referred as “consideration”) during the previous year (hereinafter referred as “current previous year”) under any one or more ULIPs issued on or after 01.02.2021 (hereinafter referred as “eligible ULIP”) shall be exempt under clause (10D) of section 10 of the Act, subject to the

satisfaction of other provisions of said clause. The same are explained by way of examples of different situations:-

4.1 **Situation 1:** No consideration is received by the assessee on any eligible ULIPs during any previous year preceding the current previous year or consideration has been received on such eligible ULIPs but has not been claimed exempt. The exemption under clause (10D) of section 10 of the Act shall be determined as under:

- i. If the assessee has received consideration, during the current previous year, under one eligible ULIP only and the amount of premium payable on such eligible ULIP does not exceed Rs 2,50,000 for any of the previous years during the term of such eligible ULIP, such consideration shall be eligible for exemption under the said clause (10D);
- ii. If the assessee has received consideration, during the current previous year, under one eligible ULIP only and the amount of premium payable on such eligible ULIP exceeds Rs 2,50,000 for any of the previous years during the term of such eligible ULIP, such consideration shall not be eligible for exemption under the said clause (10D);
- iii. If the assessee has received consideration, during the current previous year, under more than one eligible ULIPs and the aggregate of the amount of premium payable on such eligible ULIPs does not exceed Rs 2,50,000 for any of the previous years during the term of such eligible ULIPs, such consideration shall be eligible for exemption under the said clause (10D);
- iv. If the assessee has received consideration, during the current previous year, under more than one eligible ULIPs and the aggregate of the amount of premium payable on such eligible ULIPs exceeds Rs 2,50,000 for any of the previous years during the term of such eligible ULIPs, the consideration under only such eligible ULIPs shall be eligible for exemption under the said clause (10D) where aggregate of the amount of the premium payable does not exceed Rs 2,50,000 for any of the previous years during their term (Refer Examples).

4.2 **Situation 2:** Consideration has been received by the assessee under any one or more eligible ULIPs during any previous year preceding the current previous year and it has been claimed to be exempt under clause (10D) of section 10 of the Act. Such eligible ULIPs are referred as “Old ULIPs” in this paragraph and corresponding examples and reference to

eligible ULIPs shall not include old ULIPs. The exemption under clause (10D) of section 10 of the Act shall be determined as under:

- i. If the assessee has received consideration, during the current previous year, under one eligible ULIP only and aggregate amount of premium payable on such eligible ULIP and old ULIPs does not exceed Rs 2,50,000 for any of the previous year during the term of such eligible ULIP, the consideration under such eligible ULIP shall be eligible for exemption under the said clause (10D);
- ii. If the assessee has received consideration, during the current previous year, under one eligible ULIP only and aggregate amount of premium payable on such eligible ULIP and old ULIPs exceeds Rs 2,50,000 for any of the previous year during the term of such eligible ULIP, the consideration under such eligible ULIP shall not be eligible for exemption under the said clause (10D);
- iii. If the assessee has received consideration, during the current previous year, under more than one eligible ULIPs and aggregate of the amount of premium payable on such eligible ULIPs and old ULIPs does not exceeds Rs 2,50,000 for any of the previous year during the term of such eligible ULIPs, such consideration shall be eligible for exemption under the said clause (10D);
- iv. If the assessee has received consideration, during the current previous year, under more than one eligible ULIPs and aggregate of the amount of premium payable on such eligible ULIPs and old ULIPs exceeds Rs 2,50,000 for any of the previous year during the term of such eligible ULIPs, consideration under only such eligible ULIPs shall be eligible for exemption under the said clause (10D) where aggregate amount of premium along with the aggregate amount of premium of old ULIPs does not exceed Rs 2,50,000 for any of the previous year during the term of any of such eligible ULIPs (refer examples).

4.3 The above guidelines are explained with the help of the following examples:

Example 1:

The assessee has the following policy which satisfies all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example).

| | |
|--|-------------------|
| ULIP | A |
| Date of issue | 01.04.2011 |
| Annual premium (Rs) | 5,00,000 |
| Sum assured (Rs) | 50,00,000 |
| Consideration received as on 01.11.2021 on maturity | 60,00,000 |

Taxability as per fourth proviso to clause (10D) of section 10 of the Act:

The sum received on maturity will be exempt under clause (10D) of section 10 of the Act as the policy has been issued before 01.02.2021 and accordingly not covered by the 4th to 7th provisos to the said clause (10) of section 10, inserted by Finance Act, 2021.

Example 2:

The assessee has the following policy which satisfies all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32.

| | |
|--|-------------------|
| ULIP | A |
| Date of issue | 01.04.2021 |
| Annual premium (Rs) | 5,00,000 |
| Sum assured (Rs) | 50,00,000 |
| Consideration received as on 01.11.2031 on maturity | 60,00,000 |

Taxability as per fourth proviso to clause (10D) of section 10 of the Act:

- The consideration received will not be exempt under clause (10D) as per the provisions of fourth proviso since the annual premium payable on the policy exceeded Rs 2,50,000.

Example 3:

The assessee has the following policy which satisfies all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth

proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32.

| | |
|--|-------------------|
| ULIP | A |
| Date of issue | 01.04.2021 |
| Annual premium (Rs) | 2,50,000 |
| Sum assured (Rs) | 25,00,000 |
| Consideration received as on 01.11.2031 on maturity | 32,00,000 |

Taxability as per fourth proviso to clause (10D) of section 10 of the Act:

The consideration received will be exempt under clause (10D) as the provisions of fourth proviso will not apply since the annual premium payable on the policy does not exceed Rs 2,50,000.

Example 4:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32.

| ULIP | A | B |
|--|-------------------|-------------------|
| Date of issue | 01.04.2021 | 01.04.2021 |
| Annual premium (Rs) | 2,00,000 | 3,00,000 |
| Sum assured (Rs) | 20,00,000 | 30,00,000 |
| Consideration received as on 01.11.2031 on maturity | 22,00,000 | 35,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The consideration received under ULIP “B” will not be exempt under clause (10D) as per the provisions of fifth proviso, since aggregate of the annual premium payable for ULIP “A” and ULIP “B” exceeds Rs 2,50,000 during the term of these policies. However, the consideration received under ULIP “A” shall be exempt under clause

(10D) since its annual premium does not exceed Rs 2,50,000 in any of the previous years during the term of the policy.

Example 5:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32.

| ULIP | A | B | C |
|---|------------|------------|------------|
| Date of issue | 01.04.2021 | 01.04.2021 | 01.04.2021 |
| Annual premium (Rs) | 1,00,000 | 1,50,000 | 3,00,000 |
| Sum assured (Rs) | 10,00,000 | 15,00,000 | 30,00,000 |
| Consideration received as on 01.11.2031 on maturity | 12,00,000 | 18,00,000 | 34,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The consideration received under ULIP “C” will not be exempt under clause (10D) as per the provisions of fifth proviso since aggregate of the annual premium payable for ULIP “A”, ULIP “B” and ULIP “C” exceeds Rs 2,50,000 during the term of these policies.
- However, the consideration received under ULIPs “A” and “B” shall be exempt under clause (10D), since aggregate of annual premium payable for these two policies does not exceed Rs 2,50,000 for any previous year during the term of these two policies.

Example 6:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2030-31.

| ULIP | X | A | B | C |
|---|------------|------------|------------|------------|
| Date of issue | 01.04.2020 | 01.04.2021 | 01.04.2021 | 01.04.2021 |
| Annual premium (Rs) | 2,50,000 | 1,00,000 | 1,50,000 | 3,00,000 |
| Sum assured (Rs) | 25,00,000 | 10,00,000 | 15,00,000 | 30,00,000 |
| Consideration received as on 01.11.2030 on maturity | 30,00,000 | | | |
| Consideration received as on 01.11.2031 on maturity | | 12,00,000 | 18,00,000 | 34,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The consideration under ULIP “X” will be exempt under clause (10D) as the policy has been issued before 01.02.2021 and it is not covered by recently introduced provisions.
- The consideration received under ULIP “C” will not be exempt under clause (10D) as per the provisions of fifth proviso since aggregate of the annual premium payable for ULIP “A”, ULIP “B’ and ULIP “C” exceeds Rs 2,50,000 during the term of these policies.
- However, the consideration received under ULIPs “A” and “B” shall be exempt under clause (10D), since aggregate of annual premium payable for these two policies does not exceed Rs 2,50,000 for any previous year during the term of these two policies.

Example 7:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32.

| ULIP | X | A | B | C |
|---------------------|------------|------------|------------|------------|
| Date of issue | 01.04.2021 | 01.04.2022 | 01.04.2022 | 01.04.2022 |
| Annual premium (Rs) | 2,00,000 | 1,00,000 | 1,50,000 | 3,00,000 |
| Sum assured (Rs) | 20,00,000 | 10,00,000 | 15,00,000 | 30,00,000 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Consideration received as on 01.11.2031 on maturity | 25,00,000 | | | |
| Consideration received as on 01.11.2032 on maturity | | 12,00,000 | 18,00,000 | 34,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The consideration under ULIP “X” will be exempt for the previous year 2031-32 under clause (10D) since the annual premium does not exceed Rs 2,50,000.
- The consideration received under ULIPs “A”, “B” and “C” will not be exempt under clause (10D) as per the provisions of fifth proviso since aggregate of the annual premium payable for these three ULIPs and ULIP “X” exceeds Rs 2,50,000 for the previous years 2022-23 to 2031-32 which fall under the tenure of these policies. The consideration under ULIP “A” will also not be eligible for exemption under the said clause as the aggregate of annual premium of ULIPs “X” and “A” exceeds Rs 2,50,000.

Example 8:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32.

| ULIP | X | A | B | C |
|--|------------|------------|------------|------------|
| Date of issue | 01.04.2021 | 01.04.2022 | 01.04.2022 | 01.04.2022 |
| Annual premium (Rs) | 1,00,000 | 1,00,000 | 1,50,000 | 3,00,000 |
| Sum assured (Rs) | 10,00,000 | 10,00,000 | 15,00,000 | 30,00,000 |
| Consideration received on maturity as on 01.11.2031 | 12,00,000 | | | |
| Consideration received as on 01.11.2032 on maturity | | 12,00,000 | 18,00,000 | 34,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The consideration under ULIP “X” will be exempt under clause (10D) for the previous year 2031-32 since the annual premium does not exceed Rs 2,50,000.
- The consideration received under ULIP “B” only will be exempt under clause (10D) during the previous year 2032-33 while consideration received under ULIPs “A” and “C” will be taxable as per the provisions of fifth proviso.
- The exemption is restricted to consideration under ULIP “B” since aggregate of the annual premium payable for the ULIPs “X” and “B” together did not exceed Rs 2,50,000 for any of the previous years during the term of ULIP “B”.
- Here instead of ULIP “B”, we could have taken ULIP “A” as the aggregate of annual premium payable for ULIPs “X” and “A” is also less than Rs 2,50,000 during the term of these ULIPs. However, since including ULIP “B” instead of ULIP “A” is more beneficial to the assessee, ULIP “B” has been considered for exemption.

Example 9:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2031-32. **(It needs to be specified that consideration under ULIP “X” has not been claimed exempt)**

| ULIP | X | A | B | C |
|---|------------|------------|------------|------------|
| Date of issue | 01.04.2021 | 01.04.2022 | 01.04.2022 | 01.04.2022 |
| Annual premium (Rs) | 1,00,000 | 1,00,000 | 1,50,000 | 3,00,000 |
| Sum assured (Rs) | 10,00,000 | 10,00,000 | 15,00,000 | 30,00,000 |
| Consideration received on maturity as on 01.05.2031 | 12,00,000 | | | |
| Consideration received as on 01.05.2032 on maturity | | 12,00,000 | 18,00,000 | 34,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The consideration under ULIP “X” was not claimed to be exempt under clause (10D) by the assessee therefore it is not covered within the definition of old ULIP.
- The consideration received under ULIPs “A” and “B” will be exempt under clause (10D). However, since aggregate of the annual premium payable for the ULIPs “A” and “B” together did not exceed Rs 2,50,000 for any of the previous years during the term of any of these ULIPs “A” or “B” and ULIP “X” was not claimed to be exempt under clause (10D) the consideration received under ULIP “C” will be taxable as per the provisions of fifth proviso to the said clause (10D) of section 10 of the Act.

Example 10:

The assessee has the following policies all of which satisfy all the conditions laid down in clause (10D) of section 10 of the Act (other than the conditions provided under the fourth and fifth proviso of the said clause, applicability whereof is being explained in the example). The assessee did not receive any consideration under any other eligible ULIPs in earlier previous years preceding the previous year 2032-33 other than under ULIPs “X” and “Y”.

| ULIP | X | Y | A | B | C |
|--|------------|------------|------------|------------|------------|
| Date of issue | 01.04.2021 | 01.04.2021 | 01.04.2022 | 01.04.2022 | 01.04.2022 |
| Annual premium (Rs) | 1,00,000 | 1,00,000 | 1,00,000 | 1,50,000 | 3,00,000 |
| Sum assured (Rs) | 10,00,000 | 10,00,000 | 10,00,000 | 15,00,000 | 30,00,000 |
| Consideration received on surrender as on 01.07.2025 | 6,00,000 | | | | |
| Consideration received on maturity as on 01.11.2031 | | 12,00,000 | | | |
| Consideration received as on 01.11.2032 on maturity | | | 12,00,000 | 18,00,000 | 34,00,000 |

Taxability as per fifth proviso to clause (10D) of section 10 of the Act:

- The surrender value of ULIP “X” and consideration received under ULIP “Y” on maturity will be exempt under clause (10D) since the annual premium does not exceed Rs 2,50,000 during the term of these policies.

- The consideration received under ULIPs “A”, “B” and “C” will be taxable under clause (10D) as per the provisions of fifth proviso to the said clause (10D) since aggregate of the annual premium payable for the ULIPs “X” and “Y” for the previous years 2021-22 to 2025-26 was Rs 2,00,000. If the annual premium of ULIP “A” or “B” or “C” is added then the aggregate of the premium will exceed Rs 2,50,000 for the previous years 2022-23 to 2025-26.
- As per the provisions of fifth proviso, in case of multiple ULIPs, the aggregate of the premium payable for all the policies which are claimed to be exempt under clause (10D) shall not exceed Rs 2,50,000 for any previous year during the term of any of the policies.

Example 11: If in Example 10, the assessee does not claim exemption with respect to the surrender value of ULIP “X”, then the consideration received under ULIP “Y” will be exempt for the previous year 2031-32 and the consideration received under ULIP “B” will be exempt for the previous year 2032-33 under clause (10D). The exemption is restricted to ULIP “B” since the aggregate of the annual premium payable for the ULIPs “Y” and “B” together did not exceed Rs 2,50,000 for any of the previous years during the term of ULIP “Y” or “B” and the assessee did not claim ULIP “X” as exempt. ULIP “B” is preferred in place of ULIP “A” as it is more beneficial to the assessee.

(Neha Sahay)

Under Secretary to the Government of India

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(Neha Sahay)

Under Secretary to the Government of India