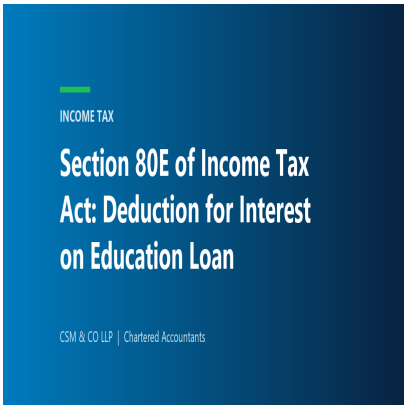

Section 80E of Income Tax Act: Deduction for Interest on Education Loan

Description

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Quick summary

- Section 80E allows a deduction for the full interest paid on a higher education loan, with no upper limit.
- It is available only to individuals, for 8 years from the year interest payment starts (or until the loan is repaid, if sooner), and only in the old tax regime.
- The loan must be from a bank, notified financial institution or approved charitable institution, for yourself, your spouse, children or a student you are legal guardian of.
- Only interest counts, not the principal. From Tax Year 2026-27 the provision is section 129 of the Income-tax Act, 2025.

Section 80E allows an individual to deduct the interest paid on an education loan taken for higher studies, whether for self or for close family. There is no maximum amount, but the deduction runs for a limited period and is available only under the old tax regime.

What is section 80E?

Section 80E is a deduction from total income for the interest part of the EMIs you pay on a loan taken for higher education. The principal repaid is not deductible under this section.

From Tax Year 2026-27 the same deduction is found in section 129 of the Income-tax Act, 2025. For FY 2025-26 (assessment year 2026-27) it is still section 80E of the 1961 Act.

Eligibility for the 80E deduction

- Only individuals can claim it. HUFs, firms and companies cannot.
- The loan must be taken for higher education of yourself, your spouse, your children, or a student for whom you are the legal guardian.
- The loan must be taken from a bank or other financial institution, or from an approved charitable institution. A loan from friends or relatives does not qualify.

- You must be the borrower, and the interest must actually have been paid out of your income.
- It is available only under the old tax regime.

Which courses count as higher education?

Any course after passing the senior secondary examination (Class 12) or its equivalent, regular or vocational, in India or abroad.

How much can you claim?

The whole interest paid in the year. For example, if your income after other deductions is ?6,70,000 and you paid ?2,00,000 as interest on the education loan, your taxable income becomes ?4,70,000.

For how many years?

The deduction starts in the year you begin paying interest and continues for 8 years in total, or until the interest is fully repaid, whichever is earlier. If you repay the loan in five years, you can claim for those five years only. If repayment runs beyond eight years, there is no deduction for the later years.

Documents needed

Get an interest certificate from the lender each year. It should show the interest and principal parts of the EMIs paid in that financial year separately. Keep it for your records, and give it to your employer if you want TDS adjusted.

Should you repay early?

Interest saved by repaying early is usually larger than the tax saved by claiming 80E. A deduction reduces your tax only by your slab rate (for example 30% plus cess), while the interest costs you 100%. So the tax benefit alone is not a reason to delay repayment. Consider the loan interest rate, your other investments and your cash needs, and prepay if the interest rate is higher than what you can safely earn elsewhere.

Old regime or new regime?

The new tax regime does not allow section 80E. If education loan interest is large, compare your tax under both regimes before you choose.

Frequently asked questions

Is there a limit on the section 80E deduction?

No. The whole interest paid in the year is deductible. Only the interest counts, not the principal.

For how many years can I claim section 80E?

For up to 8 years starting from the year in which you begin paying the interest, or until the interest is fully paid, whichever is earlier.

Who can claim section 80E?

Only individuals, for a loan taken for higher education of self, spouse, children or a student for whom they are the legal guardian. HUFs and companies cannot.

Does a loan from a relative or friend qualify?

No. The loan must be from a bank, a notified financial institution or an approved charitable institution.

Is section 80E available in the new tax regime?

No. It is allowed only in the old tax regime.

Official sources

- Income Tax Department: Section 129, Income-tax Act 2025
- Income Tax Department: e-Filing portal
- e-Gazette: Income-tax Act, 2025 (Act 30 of 2025)

Related reading

- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27
- Difference Between Exemption, Deduction and Rebate in Income Tax
- Required Documents for ITR compliances – FY 2024-25

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