

Employee's contrⁿ

Allowed if paid upto
due date of Kind

PGBP

* Employer's Contrⁿ to
EPF - Due Date upto
(43B) 30th Sep, 19 (Return Filing)

① Manyⁿ Confectionary items listed in Eleventh schedule.
This comp doesn't qualify for weighted dedⁿ
u/s 35. So, Amt spent on salaries &
material for scientific research & development
No ↓ Addⁿ dedⁿ.

② VRS → 1/5 is allowed as dedⁿ in CY.

③ Regularization fee to Municipal Corp. does not
qualify as dedⁿ. Because it's in the nature
of Penalty.

④ Expⁿ on Glow Sign Bld Board — Revenue Expⁿ

⑤ closing stock includes machine spares

It means this is included in both opening
stock & purchases & ∴, no adjustment
is required.

But, depⁿ will be charged.

⑥ Depⁿ on machine sold & re-acquired

↓
Depⁿ on — Lower of WDV (or) of sale price
Re-acquired
Price

⑦ Int paid in respect of capital borrowed for
acqⁿ of asset — For the period of acqⁿ of
asset till the date the asset is put to use
is not allowed as dedⁿ.

⑧ Provision based on fair estimate of wages and reasonable certainty is allowed as dedⁿ.

⑨ the due date of depositing Employee's Contⁿ to EPF is 15th of Every month.

⑩ Loan taken for Acqⁿ of asset. and Int from loan taken upto period of Put to use is also added to cost of asset for depⁿ

⑪ Dedⁿ u/s 80 JJ & A

$$\text{Dedⁿ} = \text{Add'l Gmp. Cost} \times 30\%$$



Ⓐ only banking channel Payment

Ⓑ Enrolment not more than 25000 PM

Ⓒ Empl. for 240 days in Normal business

Not Given to Casual Employee 150 days in leather, Footwear Apparel.

Ⓓ Audit in 44AB. (Not allowed in Profession)

⑫ License fee for franchise is Intangible asset.

∴, the same has to be added back. (Not allowed as dedⁿ in P&L).

And depⁿ @ 25% is charged.

(13) Loss of Machine due to fire is Capital

Loss Not allowed as dedⁿ in PGBP.

(14) Any payment by comp (closely held comp) by way of loan to SH, who is beneficial owner holding more than 10% of voting power.

is deemed as dividend to the extent of Accumulated Profits. So, deemed dividend is

taxable to DDT @ $(30\% + 12\% + 4\%)$ in the

hands of other comp (~~other~~ loan to R 2%)

(15) ICDS II → Int & borrow. cost which do not

meet the criteria for recogⁿ of Cost of Asset can't be included in cost of Inventory.

IF included, the diff has to be added back.

(16) Cash payment exceeding 10000 to dairy farming is allowed.

(17) No dedⁿ of Expⁿ for earning income by way of Carbon credits.

(18) Pension Scheme of Emp. :-

10% of Salary & Dearness
Actual Contⁿ
lower.

this is allowed as dedⁿ and balance amt is added Back.

(19) Expⁿ on dividends from FC is not (14)
allowed as dedⁿ from dividend.

(20) Profit from hedging contract is adjusted
 with the cost of Asset.

It's not credited in P&L A/c.

→ And depⁿ calculate dedⁿ time profit net
cost is minus dedⁿ cost

(21) Dedⁿ o/s 33AB

✓
 Amt deposited in NABARD as 40% of profits
of Business
lower

→ Net Profit after Dedⁿ o/s 33AB

(+) Amt withdrawn from NABARD which is deemed
 as P&BP.

(a) Purchase of office appliance for corporate office.

(b) Amt withdrawn from NABARD - Amt invested in P&M (allowed)
 (Excess balance)

(c) Any P&M sold before expiry of 8 yrs

→ 65% (in case of Rubber) of total profits.

(22) Industrial Jarrif Concession allowed from ^{www.studyfromncs.com} Sec 80G is allowed income.

(23) sales tax not refunded to customers out of sales tax refund is revenue receipt. It's credited (added) to P&L.

(23) Payment made to call centre → SDS @ 2%

(24) CSR is not allowed expⁿ. So it's added back.

(25) Deferred tax is an accounting concept and provision is not allowable dedⁿ.

(26) Sec 44AD

a) turnover upto 2cr / ₹

a) Business loss can be set off.

b) All dedⁿ o/s 30 to 38 have been scrapped to be allowed. So, no dedⁿ for -

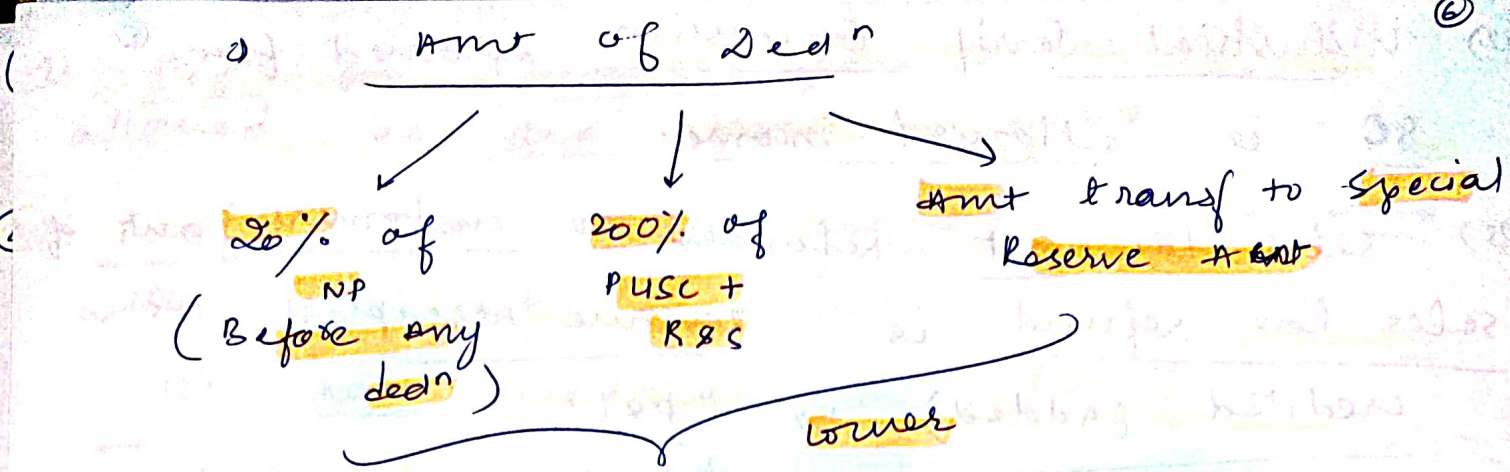
a) Bad debts

b) Unabsorbed depⁿ.

(27) Sec 36 (1) (VIII) → Eligible Business

Dedⁿ available to :-

- ① Financial Corp^s including Public Sector Corp^s.
- ② Banking Corp^s including Co-operative banks which provides long term loans.
- ③ Housing Finance Corp^s providing long term finance

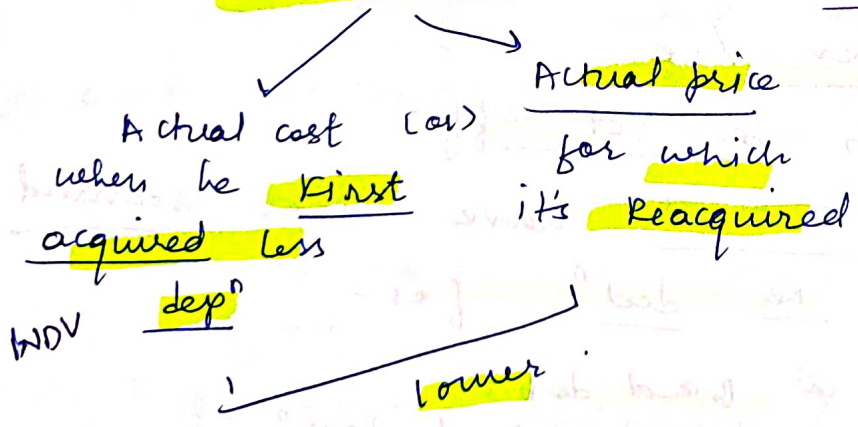


Note -> 20% of NP + Balance in Special Reserve > Paidup Cap + General Res

2) Excess Amt is not allowed as dedn

(28) when a asset is used by assessee for the purpose of business, later ceased to his property & then reacquired by him,

Actual cost -> depn is charged on Actual Cost



(29) where the asset used by one person is transf to another person, the cost of machine will be FMV as determined by the AO.

⑧ 44A

The deficiency arising on a/c of income from members shall be set-off against PCIBP.
 If there's no income, the deficiency is set-off against [other head upto 50%].

③① Mysore Minerals Ltd vs CIT

- > Any person having right to use the asset, must be taken as owner.
- > Regn of asset is only a formality.
- > Asset u/s 32 has a wider meaning.

③② the dedⁿ of bad debt is allowed as dedⁿ if its written off in the a/c of assesse.
 In case of succession, the amt written off is allowed as dedⁿ if the debt has been taken into a/c for computing the debt in previous owner.

③③ Repairs on P&M is allowed as dedⁿ.

100B I → If Repairs (or) expⁿ increase the future benefits from existing asset beyond its previous performance, then its added to actual cost.

③④ Rent includes an amt of Repairs → NO Adjustment is required.

(35) Interest for delay in deposit of tax is allowed as dedⁿ. This is not penalty.

(36) Group Free Air ticket provided by supplier for reaching a certain volume of purchase is an income. It's to be credited to P&L.

(37) Non Competing Fee

→ This is chargeable to tax under PGBP.

• Allowed as dedⁿ to company who is paying, if JDS is deducted. (30% disallowed - No JDS).

(38) Secret Comm. is made for obtaining business orders. Any expⁿ incurred which is an offence prohibited by law shall not be deemed to be incurred for business. ∴, secret comm. is not allowed as dedⁿ.

(39) Foreign Agent of Indian exporter operates in his own country. Commission paid to NR agents is not taxable in India.

So, no disallowance will be attracted.
Case → Maruti Suzuki India Ltd

(40) Furnishing of bank guarantee can't be considered as actual payment. ∴ dedⁿ of s 43B can't be claimed.

(40) Investment in P&M is not eligible for (a)

Additional depⁿ :-

(a) Losses for transporting

(b) Computers installed in office Premises.

(42) Windmills → 40% depⁿ

(43) Income from saplings (as) seedlings is 100%

agricultural income whether (as) not basic

operations carried on land.

(44) → CIT vs Shri Rama Multi Tech Ltd

1) Assessee comp is required to keep share Appli. money in a separate A/c till the allotment of shares.

2) Any surplus money deposited with bank for earning interest is taxable under 10c.

3) But, share Appli. money was deposited due to requirement of law & not for earning interest. So, interest is incidental income.

4) Expenses incurred in issue of shares must be capitalised.

5) So, Accrued interest is allowed to be set off against public issue expense.

6) Expenses on issue of Rights issue is capitalised. It results in capital creation.

(45) CIT Vs K. S. Co.

a) The interest income from deposits by the firm for the purpose of obtaining bank guarantee as & when tenders are applied is linked to business.

a) If firm had not furnished bank guarantee, it would not be eligible for tenders.

∴ its taxable under PCBP.

(46) Juticorin Alkali chemicals & fertilisers Ltd Vs CIT

a) Int income made out of surplus funds is taxable under 10s.

a) Because firm has deposited amt to earn interest

(47) Issue of Bonus share

There's no inflow of funds in case of bonus shares. There's no increase in capital base.

∴ So, legal expense for Bonus Issue is an allowed expⁿ.

(47) Issue of Rights shares leads to capital expansion. So, it's not allowed as dedⁿ.

(48) Term loan for purchase of machine is not a trading liability. So, waiver of term loan for purchase of capital asset can't be treated as Remission & can't become Income.

(49) Writing off loan taken for Cash Credit amounts to

Remission of trading liability & its treated as income. www.studyfromjess.com

(50) Referral Fee paid to doctors by hospitals for referring patients is an offence & ∴ its not allowed as depⁿ.

(51) Japaria Tools Ltd :-

- 1) There were 2 methods of payment of interest →
- 2) Debⁿ holders were to receive periodical interest payment (or) opt for upfront payment.
- 3) So, allowance of int in the first year is ok.

(52) Disallowance of depⁿ in case of discarded asset :-

- 1) Eligible asset must have been put to use for the purpose of business.
- 2) The discarded machine may not be used in relevant PY but depⁿ can be claimed as long as it was used for the purpose of business. So, depⁿ can be claimed.

CONCEPTS

- 1) Sales tax liability can be converted into loan. It would amt to payment in the year of conversion.
- 2) Interest on loan converted becomes payment in the year of actual payment.

(4) where any loss is allowed as dedⁿ (12)
& subsequently recovered is income in the year.

(5) where dedⁿ has been allowed in case of trading liability & subseq. the liability is remitted.
So, this is income.

(6) Expected losses and mark to market losses are accounting adjustments & they are not allowed as dedⁿ.

only Allowed as per ICDs :-

(a) Inventory - lower of cost (or) NRV.

(b) Listed securities
(Inventory) - _____

(c) Unlisted Securities - Actual Cost.

(7) Sec 2695J

No person shall receive 200000 from a single person in a day relating to single trans. (or) one event (or) occasion except by banking channels.

Penalty - 271 DA = Equal to amt of such receipt

(8) 40(A)(3) → Disallowance for transporter upto 35000.

(9) Salary paid to NR without JDS - 40(A)(14)
Entire amt is disallowed.

(10) state Govt undertaking

- (11) Following are NOT allowed as dedⁿ :- (B)
- (a) Dividend & DDJ
 - (b) Income tax
 - (c) Provision for loss of subs. comp.
 - (d) Provision for deferred tax
 - (e) ———— diminution in value of assets.
 - (f) ———— unascertained liability.
 - (g) Prior Period expense

(12) Salary & Perquisites paid to directors is allowed.

(13) Where Rental Income is allowed as Business Income, Compensation paid to tenants for vacating the land is allowed as dedⁿ.

(14) Provision for Bad & Doubtful debts in case of Banks / NBFC

(a) Indian Bank → 8.5% of total Income
+
10% of Aggr. Advance made by rural branches.

(b) PPSC, NBFC and F Bank → 5% of Total Income.

(15) No dedⁿ is allowed for Actual Bad Debt

↓
Adjusted with provision created.

→ Any Excess amt is allowed.

(16) Amt of expⁿ incurred by Co-operative Society for purchase of sugarcane @ a price fixed by Govt is allowed as dedⁿ.

(17) Commodities Trans. Tax is allowed as dedⁿ when commo. are held as S.I.

(18) S.I. — allowed as dedⁿ when securities are held as S.I.

(19) Expⁿ on Promoting family planning amongst employees is allowed — in 5 equal instalments.

(20) Bad debt recovered is treated as Income.

(21) Animals — used in business otherwise than S.I.

↓
Diff b/w Actual cost & Amt realised on sale is allowed.

(22) Interest paid on capital borrowed for business purpose is allowed as dedⁿ.

∴ Int is not allowed as dedⁿ when borrowed money is [loaned] to directors.

(23) Bonus (or) Comm. to employee is allowed as dedⁿ.

(24) Premiums for health Insurance of employee (except by cash) is allowed.

(25) Premium for Insurance of stock is allowed.

(26) • Expenses on issue of Bonus share • Expenses on allegation of MOA & AOA • Expenses on Feasibility study → allowed as dedⁿ

① Depⁿ on EPALX and mobile phone is 15%.

②

- Damages paid for breach of contract
- Penalty in nature of Compensation
- Expⁿ on installing traffic signals so that emplo. come in time

→ Allowed as dedⁿ.

③ Film released on 24th Dec. the return of dedⁿ → the cost of Prodⁿ.

④ Losses not allowed as per ICOS :-

- Losses because of possible unfavourable outcome of pending cases.

- Expected loss in sale trans with condition of buy back.

- Provision for anticipated losses in construction contract.

⑤ Additional depⁿ — 20% — 10% (if less than 180 days)

→ No addⁿ depⁿ on office appliances.

→ Excludes :- Second hand P&M, ships, aircraft or transport vehicle, P&M on which 100% dedⁿ.

① Addⁿ dep @ 35% on -

Jalangi
West Bengal
Bihar
Andhra Pradesh

②
} notified
Backward
Areas

① only on WDV.

② sec 32AD → Investment in new P&M in notified Backward areas

① 15% of Actual Cost.

② Excludes → second hand machine.

③ → 80 C/D - Pension scheme

Actual cost ✓ 10% of salary + DA

Lower - Allowed

Balance is disallowed u/s 40A(9).

④ Bad debts for scheduled Banks

Dedⁿ = 8.5% of T/O + 10% of Aggregate advance made by rural branch.

Format

:-

Bad debts written off
(-) Provision for Bad debts
(-) current year Pr. for BD

Allowed as dedⁿ.

① - No JDS → 30% disallowance u/s 40(a)(ia).

» No threshold limit to JDS for director's Remun.

② when total J/o > 100 lakhs - तभी JDS काटने की liability आसगी

↓
But, in case of Salary u/s 192 - JDS deduct करना पड़ेगा even if J/o does not exceed 100 lakh.

③ Book Profit = NP
(-) depⁿ u/s 32
(-) Int @ 12%

④ - 43B - Int payable on loan is allowed as dedⁿ only when it's paid.

» Conversion of interest into loan does not amounts to payment.

⑤ 44AA - Maintenance of Books

• Specified Profession - when G/o exceeds 150000 in any 3 P.Y.

• Other Person carrying (Except Ind. & HUF) Business - Total Income > 120000 / Total J/o > 10Lakh in any 3 P.Y.

• Ind & HUF carry. Business - Total Income > 250000 / Total J/o > 2500000 } in 3 P.Y.

① SEC 44AD

→ total % does not exceed 2 crore.

→ Rate - 8%

6% - Banking channels.

② 44AE → heavy vehicle

→ 1000 x per ton x No of parts x No of vehicle.

Other than heavy vehicle

→ 7500 x month x No of vehicle.

	<u>Business</u>	<u>Agriculture</u>
③ - Tea	40%	60%
↳ coffee grown & cured	25%	75%
↳ Coffee, grown, cured, roasted	40%	60%
↳ Rubber	35%	65%

① Lowries - P & M @ 15% - No Adedⁿ Depⁿ

② Windmills - 40%

③ Non Competing fees - x, Allowed as dedⁿ
x JDS must be deducted.

④ Secret Commission - x Not allowed
x offence.

1) Survey → * Draw Manufacturing etc (S)
 * Diff in GP (BR) आवक is added as income.

2) Income Tax refund - Minus अवधि P & L से
 Int on Income Tax refund is shown in IOS.

3) Int for delay in deposit of tax → Breach of Contract
 ↓ Allowed.

4) Cash Payment > 10000 → 40 (A) (3)
 100% disallowed.

5) UUA →
 Income
 (-) Expⁿ

 Deficiency -
 other Income
 (-) 50% deficiency

 Income of Assoc.

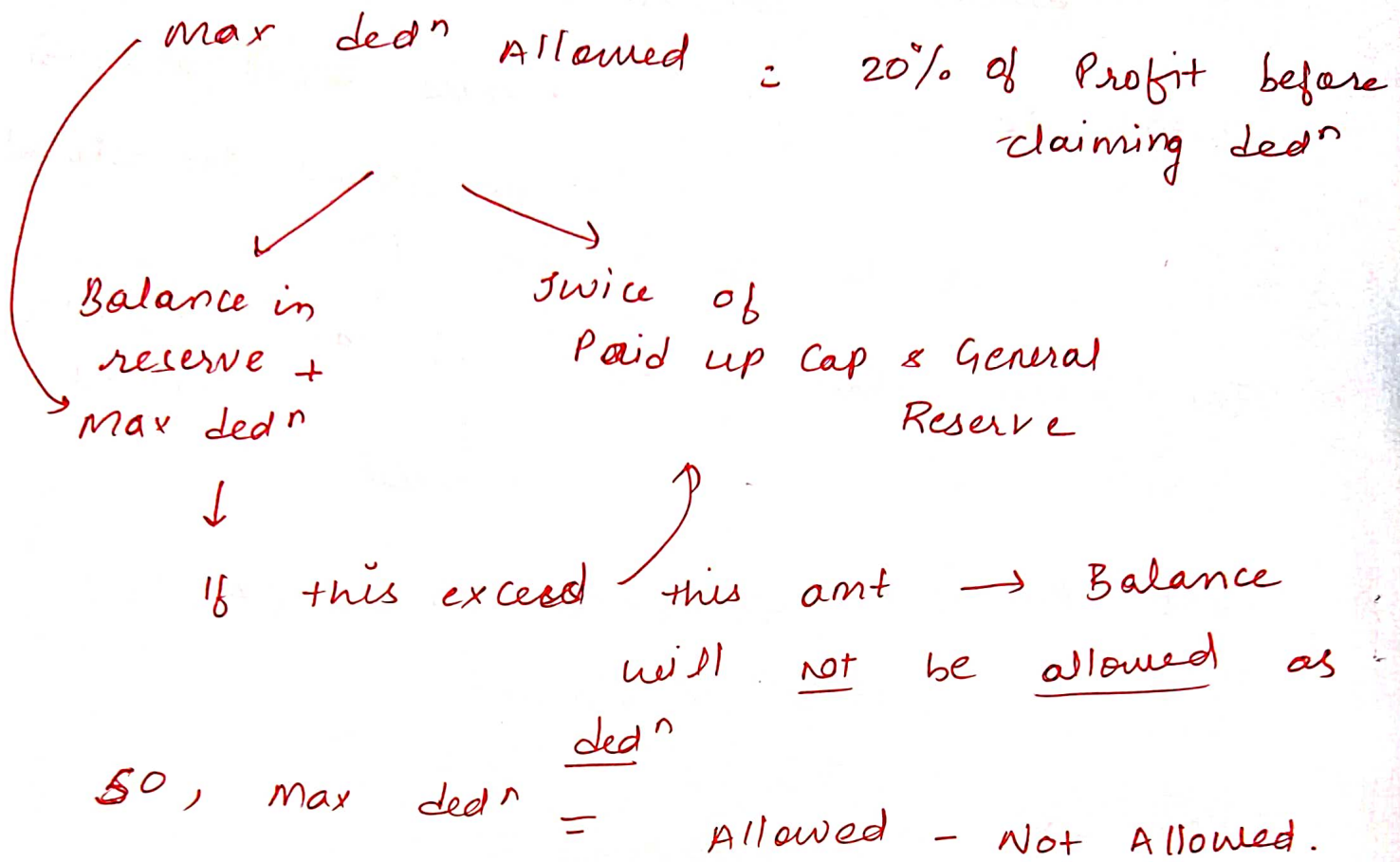
6) Int paid in respect of Capital borrowed for purchase acquisition of asset :-

* Cost of Asset
 (+) Int (Period)

Actual Cost of Asset

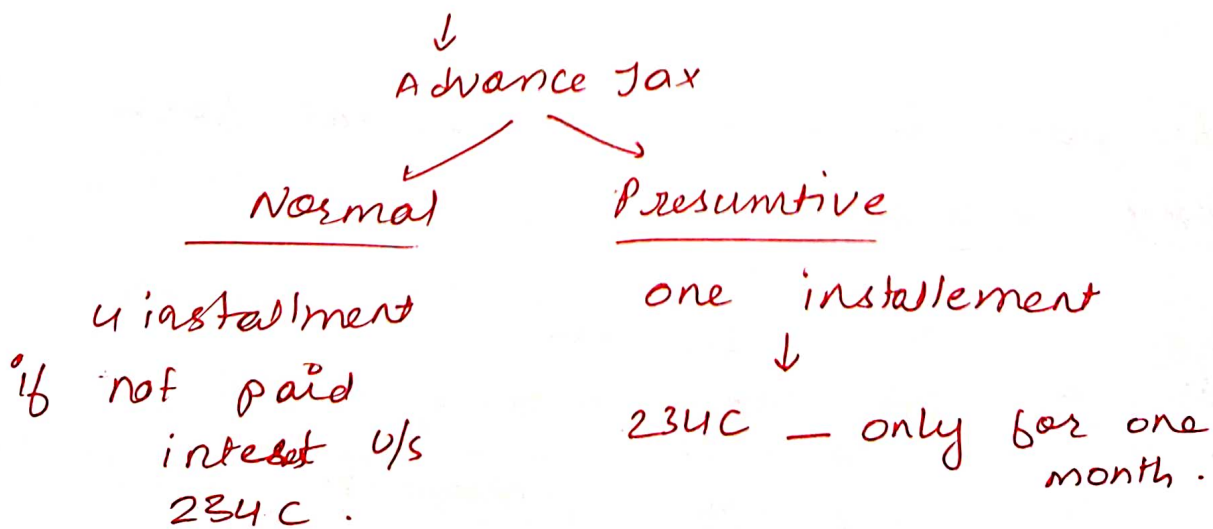
* Int is computed from the date asset is PUT TO USE.

① sec 36 1 (VIII) - Business of long term finance ⑥



② Sponsorship fee for local cricket tournament for promotion of business, so allowed.

③ Advise procedural requirement



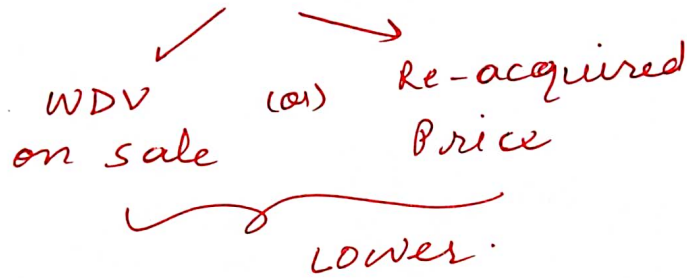
④ Int for TDS late payment = allowed.

① Unrealised Rent → Income from HP (8)
and not PGBP.

② Municipal tax of house unpaid - Add
back to P&L.

③ Additional depⁿ from first year to
Allow एवम

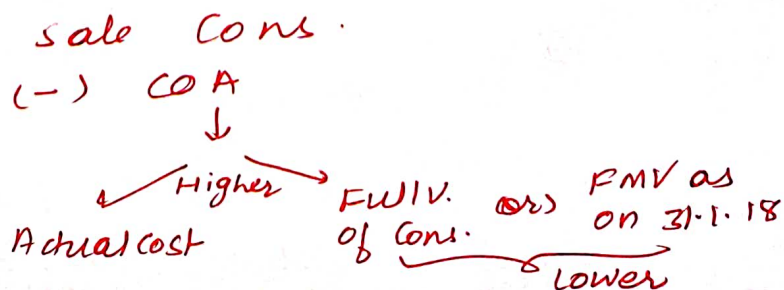
④ Depⁿ on re-acquired machine



⑤ Repairs & Maint → वही capitalise फार
उसमें गर्त Depⁿ change
करे गे

⑥ Conversion of Business asset into SIT
↓
FMV is charged as Business Income.
PGBP

⑦ Shares acquired before 31.1.2018



① Grant recd. from govt for acqⁿ of assets is adjusted in actual cost.

② Dep @ 15% on Grant recd from state + Govt + Amt paid as advance in cash
↓
deducted from total
depⁿ

③ Considerat recd. in excess of FMV of Shares → 10s.

④ Advance tax pay net tax

234B	-	1%	-	x	-	$x \times 3\%$
234C	15.6	15%	-	x	-	$x \times 3\%$
	15.9	45%	-	x	-	$x \times 3\%$
	15.12	75%	-	x	-	$x \times 3\%$
	15.3	100%	-	x	-	$x \times 1\%$

⑤ Int on short payment of advance tax is not allowable expⁿ.

⑥ cash payment in excess of 10000 to dairy farming is allowed.

⑦ carbon credit - 115BBG - No expⁿ is allowed as dedⁿ.