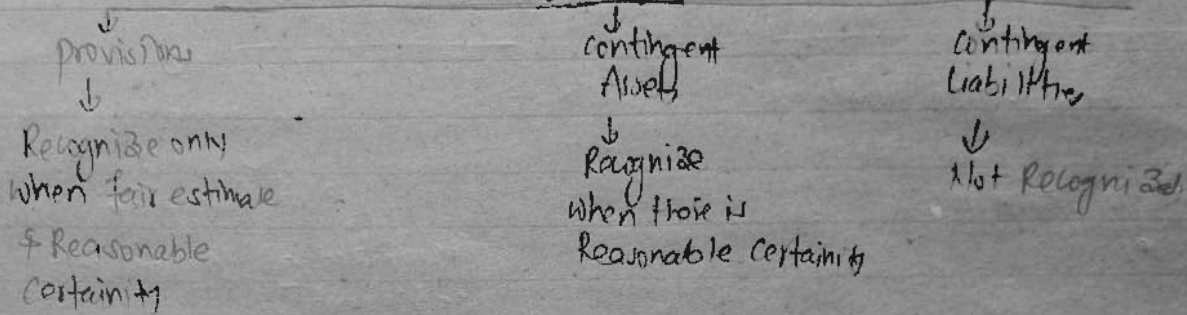


⊗ IAS X :- provision, contingent liabilities & contingent Asset



⊗ ICAI VI :- Effects of change in foreign Exchange Rates
Exchange Difference arising on last day of P.Y

↓
monetary items → (creditor/debtor)

↓
Registered as Income or
Expense.

↓
Non-monetary items

↓
Not Recognized

(Recognized at the time of
settlement)

⊗ ICAI VII :- Government Grants :-

↓
Related to Asset

↓
Reduced from
Actual cost of Asset

↓
Other

↓
Taxable under DEBP in the Year
of Receipt

(Whether condition attached to Grant is fulfilled
or not)

⊗ ICAI VIII :- Securities :-

- Covered only securities held as stock in Trade

- As per ICAI, valuation of securities shall be done category wise and not security
wise

↓
Cost of Category

or

NRV of Category

} Lower

(In case of AS 13, valuation is done as per security wise)

Example :-

Shares	Cost	NRV	As per AS 13	As per ICAI
A Ltd	100	50	50	
B Ltd	300	150	150	
C Ltd	100	500	100	
2 Ltd	200	100	100	700 or 810
	<u>700</u>	<u>500</u>	<u>400</u>	<u>700</u>

→ IAS also applies in case of Disruptive Transition
→ IAS will not apply on MAT Calculation, but applies on calculation of AMT.

⊗ IAS I :- Accounting policies

- Doesn't Recognise Prudence & Materiality concept
- eg - Expected loss on contract etc to be Recognised on Actual Basis

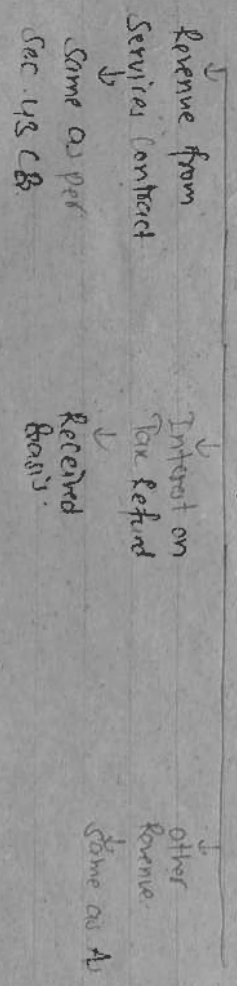
⊗ IAS II :- valuation of inventories

- cost or NRV → whichever is lower
- In case of dissolution of firm, Inventory shall be valued at NRV.
- Borrowing cost which doesn't meet the recognition criteria shall not be included in the cost of inventory.

⊗ IAS III :- Construction contract

same as provision IAS 8

⊗ IAS IV :- Revenue Recognition



⊗ IAS V :- Tangible fixed Assets

- * Depreciation & Transfer → same as per Income Tax Act
- Revaluation of Assets is not permitted
- In case of Exchange of Asset → ~~cost~~ Actual cost of Asset shall be FMV of Asset Received.

⊗ section 115 BBE → Income from Transfer of carbon credits
↳ Transfer under PGBP or OS
↳ Taxable @ 10%

Note :-

→ No reduction of any expenditure.

⊗ Section 115 → method of Accounting for PGBP and OS.
Income from PGBP & OS shall be computed as per Cash system or mercantile system

⊗ Section 115B

→ claim for Exclusion of Price in a contract deemed to be income of P.Y in which reasonable certainty of its Realisation is achieved.

→ subsidy/grant from Government. deemed to be interest income of P.Y in which it is received.

Income computation & disclosure standards (IICAS)

section 115(2a) → Central Government notified 10 IICAS

→ IICAS are applicable for computation of income under PGBP and OS mercantile system and not for maintaining Books of Accounts.

→ IICAS applies to all assessee (except individual & HUF who are not liable for Tax Audit u/s 44 AB)

→ In case of conflict

Income tax Act & IICAS,
Income tax Rules & IICAS,
Act/Incls & IICAS

Preval

Income Tax Act.
Income Tax Rule
IICAS

44A0

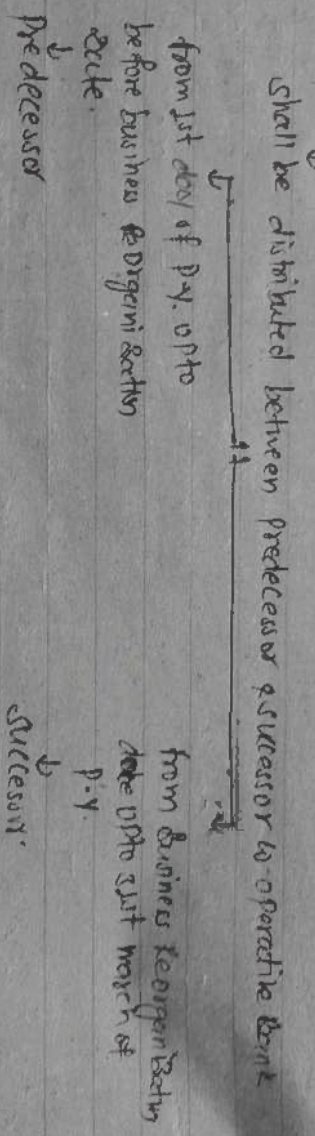
→ If Assesee declares income for any P.Y. as per section 44AD & he doesn't declare income for next 5 consecutive P.Y.s as per 44A0.

↓

he will not be eligible for 44A0 for 5 years, subsequent to years in which he doesn't declare income as per 44A0

② section 4408: Business Reorganisation of Co-operative Banks:

If Business Reorganisation (Amalgamation / Merged) of Co-operative Banks took place during P.Y. then deduction u/s 82, 850, 850A, 850AA of predecessor of such P.Y.



③ section 115BBF → Royalty income in respect of Patent developed & Registered in India.

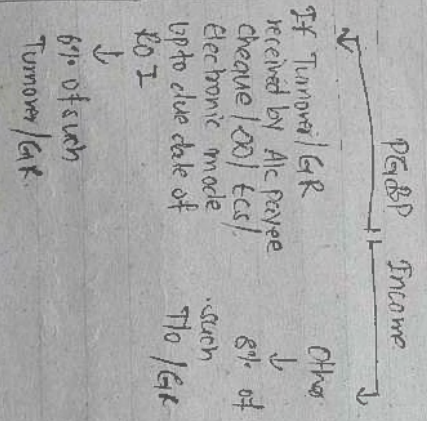
↓
Taxable under P&BP or OS
↓
Taxable @ 10%.

Note:-

- No deduction of Any expenditure.
- Applicable only to Resident Assesee
- Applicable only if atleast 75% of Development Expenses incurred in India.

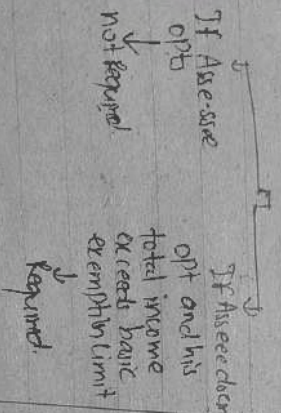
Eligible Business/Profession
 Any Business whose Total Turnover / Gross Receipt is upto Rs. 2 crore in P.Y.

Presumptive PGBP Income



Expenditure deduction
 No deduction of any expenditure u/s 30 to 38 and section 40(b)

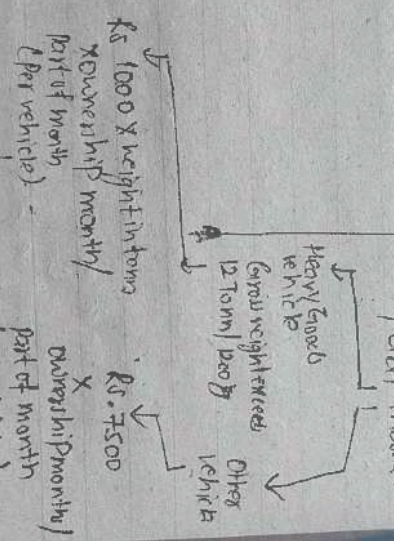
main tenance of books of A/c & Audit



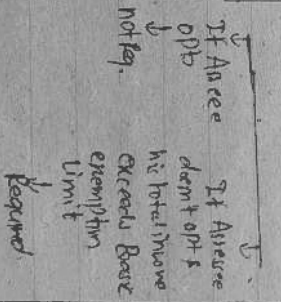
Other points
 - Advance Tax payment only in 1st installment -> 15th March of f.y.
 -> ROI filing due date - 31st July
 -> Assessee shall not claim deduction u/s 10AA and sec- 80IA to 80 K78

Notified profession whose Gross Receipt is upto Rs. 50 lacs in P.Y.

PG&P Income
 50% of Gross Receipt



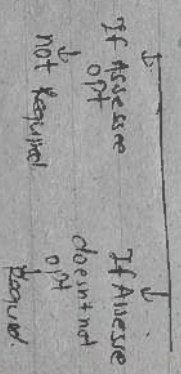
No deduction of any expenditure u/s 30 to 38 and section 40(b)



-> Advance tax payment only in 1st installment -> 15th March of f.y.
 -> ROI filing due date -> 31st July

Transportation Business in which Assessee own not more than 40 Gross Carriage at any time during P.Y.

-> No deduction of any expenditure u/s 30 to 38



- Advance Tax payment only in 1st installment -> 15th March of f.y.
 - ROI filing due date - 31st July

→ Aggregate payment made for expenses during P.Y in cash doesn't exceed 5% of Total Payment.

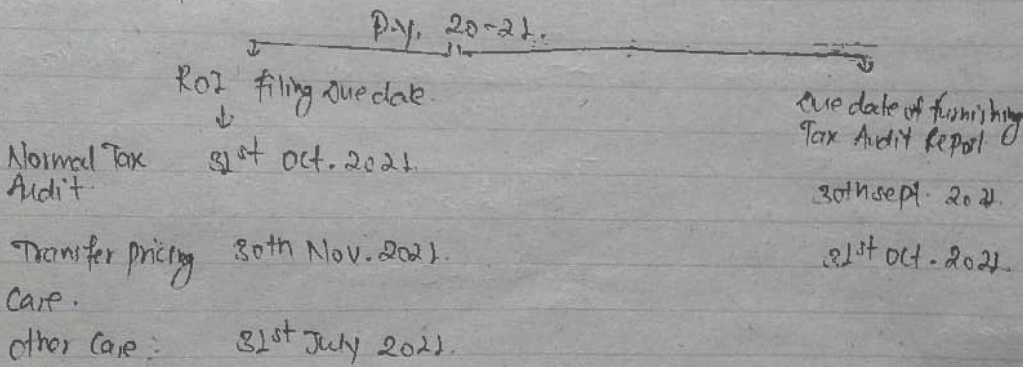
② In case of Profession

↳ If Gross receipt exceeds Rs 50 lacs during P.Y.

③ If Assessee covered by section 44AD or 44ADA & Assessee claims income less than 8% / 6% or 50% of Turnover/Gross receipt and his Total income is more than basic exemption limit.

④ If Assessee covered by section 44BB, 44BBA, 44AE & Assessee claimed income less than profit deemed under these sections.

Other points :



② Presumptive Taxation ⇒ optional

Particular	Section 44AD	Section 44ADA	Section 44AE
Eligible Assessee	Resident Individual, HUF, firm (not LLP) engaged in any business other than: ① Notified profession ② Commission business ③ Agency business ④ Section 44AE business	Resident Assessee engaged in Notified profession	Any Assessee engaged in business of plying, hiring, leasing Goods Carriage [Transportation Business]

Eligible Business/Profession

Presumptive PGBP income

Expenditure deduction

maintenance of Books A/c & Audit

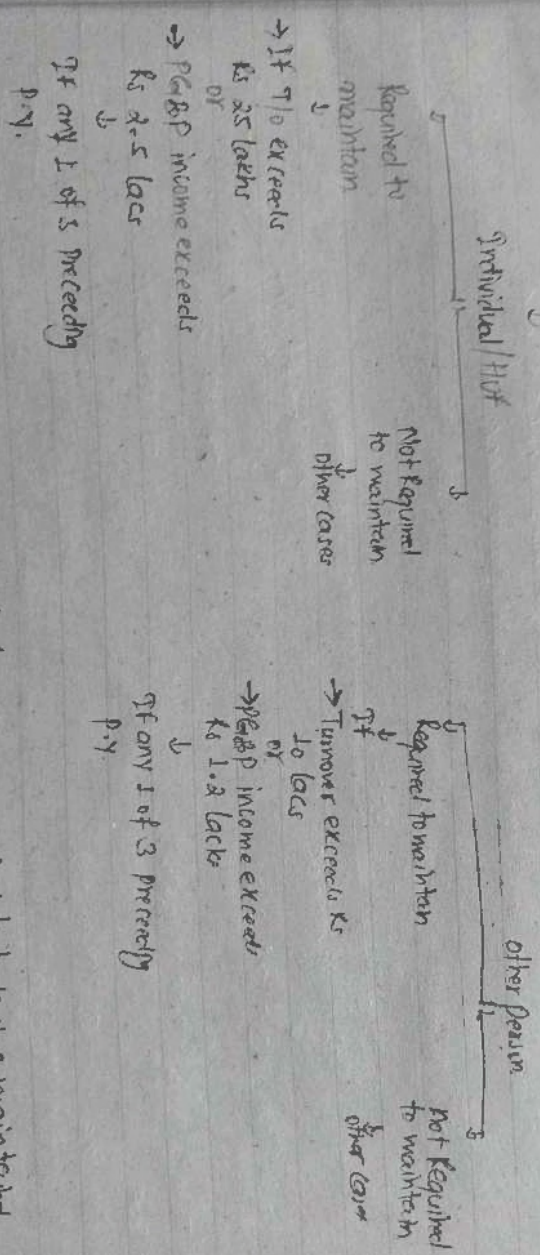
Other points

maintain Prescribed Books ↓

maintain such Book which would enable A.O. to compute Total income.

- Cash Book
- Journal
- Ledger
- Carbon copy of Bills exceeding Rs. 25.
- Receipts and Receipts & stock receipts (only impractical)

② maintenance of Books of Account by other Business & Profession



③ Period for which Book of Accounts are required to be kept & maintained minimum 6 years from end of A.Y.

④ Section 44A: Tax Audit of Books of Accounts

Tax Audit is compulsory in following cases:

① In case of Business:

- ↓ If T/o exceeds 1 crore in P.Y.
- ↓ Lower limit will be Rs 5 crore, if:
- Aggregate Amount received from sales during P.Y. in cash doesn't exceed 5% of Total Amount received.

AND

④ section 43CB → Income from construction & service contracts

↓
If duration of contract is not more than 90 days

↓
Project completion method

↓
Income Recognised when project / contract is completed.

↓
If duration of contract is more than 90 days,

↓
Percentage of completion method

↓
Income recognised on basis of completion

Note:- Income includes Retention money.

⑤ section 43A → special provisions for Trade, Professions or similar Associations

↓
If expenditure of such Association exceeds subscription income received from member

↓
→ Then **deficiency** shall be first set off against PGBP Income of Association

↓
→ If no PGBP income, deficiency can be set off against any other income

↓
maximum deficiency that can be set off is 50% of total income of Associate.

⑥ section 44AA → compulsory maintenance of Books of Account

Maintenance of Books of Account by **Notified Professions**

↓
Notified Professions → legal, medical, engineering, Architects, Accountancy, Technical Consultancy, Interiors decoration, film Artist, CS, IT Professionals.

↓
If Gross Receipts exceed Rs. 1,50,000 in all 3 preceding P.Y. or

Other case.

↓
Likely to exceed in current P.Y. If New Business

- ⑤ Leave encashment (leave salary) to employees
- ⑥ Amount payable to Indian Railways for use of Railway Assets
- if paid upto due date of FOI
 ↓
 year in current P.Y (Year of Expend)
- if paid after due date of FOI
 ↓
 year in year of payment

Other Points:

- furnishing of Bank Guarantee upto due date of FOI cannot be treated as Actual Pymt
- Bonus is allowed even if Amt. is initially permitted to the trust created for avoiding late payment of Bonus Provided actual payment to employees is made upto due date of FOI.
- If interest converted into loan then such conversion cannot be treated as payment. However when installment of such converted interest is paid, deduction allowed.
- Interest includes pre-payment premium as it is also allowed on paid basis.

- ⑦ Section 133CA → scale consideration of land's Building (if holds stock in trade)
- stamp duty value
 ↓
 sale price } → Higher.

Note :- If stamp duty value is upto 10% of sale price then, scale consideration = scale price.

If date of agreement & date of registration is not same.

If whole/part consideration is received by A/c payee cheque/DD/RS / Electronic mode on or before date of Agreement
 ↓
 SOV on date of Agreement.

Other Case
 ↓
 SOV on date of registration.

and.

Now dummy current P.Y. Assess how obtained refund of such expenditure.
 or. There is Remission or cessation of such liability

Then such Remission / Refund shall be Taxable under 128B

Example = sales tax refund, Creditors w/o/H, less payment to creditors

Note → waiver of working capital loan also covered.

Section 41(2) → Balancing charge

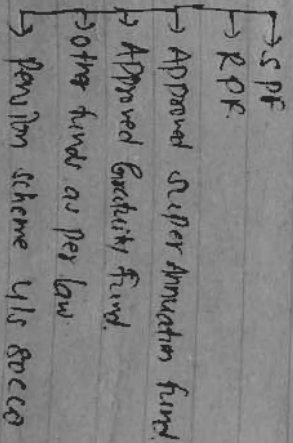
41(3) → sale of scientific Research Asset

41(4) → Recovery of Bad debt.

⑤ Section 43B: Expenses Allowed on Actual Payment Basis.

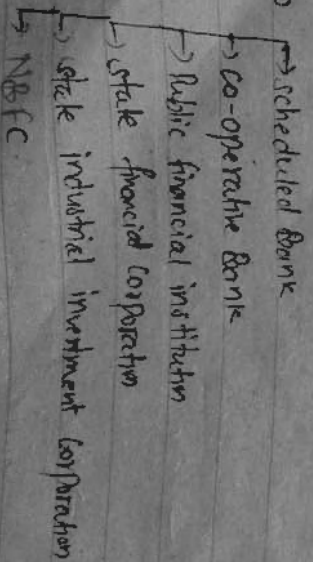
Following Expenses are allowed only if they are paid upto due date of PBT :-

- ① Any Tax, duty, cess (includes interest on Tax)
- ② Employer contribution towards

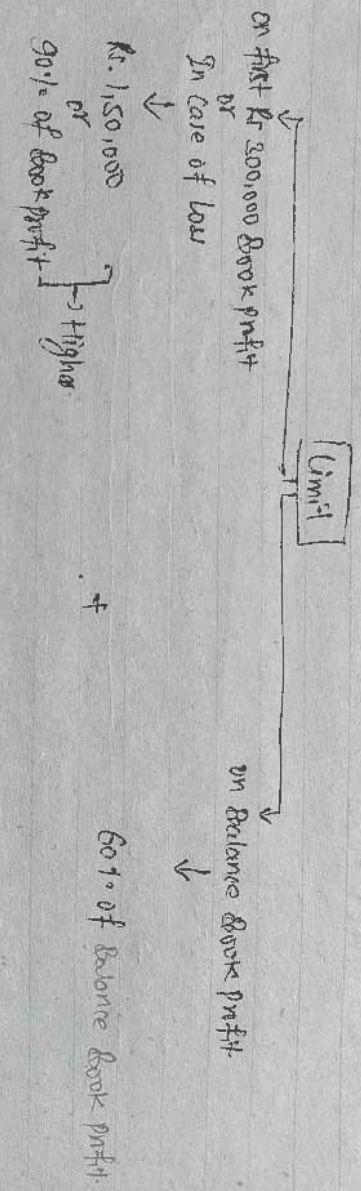


- ③ Bonus or commission to Employees.

- ④ Interest on loan to



Note: Remuneration shall relate to period falling after date of deed & not for any earlier period (not retrospective).



Book Profit ⇒ PGBP before Remuneration

⇓
 Profit as per Income tax Act PGBP as
 (H) Remuneration
 to partner (Salary/Annual/Commission/Royalty) as
 (if debited to P/L A/c)

⇓
 (unabsorbed depreciation if any) as
 Book Profit as

Note:

- Section 110(A) shall not attract in case Interest & Remuneration to partner which is allowed u/s 110(b).
- share income (profit) received by partner from firm LLP is exempt u/s 110(A)
- Interest & Remuneration received by partner from firm LLP is taxable under PGBP (upto deduction allowed to firm LLP).

④ **Section 11 → deemed PGBP Income**

Section 11(D) → Remission or cessation of Trading liability.

↓
 If Assessee had taken deduction of expenditure or trading liability in earlier years.

→ only for Am/LLP.

Section 40(b): Payment of Interest and Remuneration [Salary, Bonus, Commission, Royalty] to Partner by Am/LLP.

Interest paid to partner on Capital/loan/Current A/c.

If not authorized by deed.
↓
No deduction [Sec 4. dis allowed].

If Authorized by deed.
↓
maximum interest upto 12% p.a. is allowed or deduction

Note: 1 Interest shall relate to period falling after date of deed & not for any earlier period (not retrospective).

Other Points:

① Individual Partner in Representation Capacity → firm

Interest received in Personal ⇒ No Limit (full interest is allowed as deduction)

② Individual Partner in Personal Capacity → Normal

Interest received on behalf of firm for benefit of other → No limit (full interest is allowed as deduction)

Remuneration [Salary/Bonus/Commission/Royalty] paid to Partner
↓
If not authorized by deed.
↓
No deduction [Sec 4. dis allowed]

If authorized by deed
↓
Paid to non-working Partner
↓
No deduction
↓
Paid to working Partner
↓
Limit or Total Payment to working Partner
↓
Reduce from

Note: Pen

Note:

- share
- Interest
- Pen

- Company

Director of Company & Relative of Director

For all Assessee [Any person having substantial interest in business of Assessee/ Relative of Assessee
 ↓
 20% or more voting power/ profit share

④ Section 40A(3) → Cash Payments

If aggregate payment for expenditure to a single person in a day exceeds Rs. 10,000 by cash/Bearer cheque/Cross cheque

Then such payment = 100% Disallowed

(Paid in cash/Bearer cheque/Cross cheque)

Note :- If payment made to Transporters. Limit will be Rs. 35000

If expenditure claimed as deduction in earlier years on due basis & if such expenditure is subsequently paid in cash/Bearer cheque/Cross cheque in excess of 10,000, then deduction allowed earlier (Visible under Part B of Section 40A(3))

⑤ Non-Applicability:

① If payment by A/c payee cheque/DD/ECS/ Any other Electronic mode such as NEFT, RTGS, Debit card, Credit card etc.

② Payment made to Banks/ LIC/ Government

③ Payment by Book entry.

④ Payment made in Village/Town where no banking facility

⑤ Payment of Retirement benefits to employee or their family UP to 50,000.

⑥ Payment of salary to an employee who is posted to a place other than his normal place of duty for 15 days or more.

⑦ Payment to Producer/Cultivator of Agricultural product, forest product, poultry/ Dairy product, fish product, live stock etc.

Section 40(a)(iib)

→ (Consideration for specified service)

Any Amount paid or credited to NR

↓
on which Equalisation Levy is deductible

↓

but has not deducted during P.Y
or

deducted but not paid to Government upto due date of FOI

↓

Then such Amounts 100% disallowed in current P.Y

↓

Allowed in previous year of deposit to Government [If deducted in subsequent year]
or deposit after due date of FOI

⊕ Section 40 A(2) → Payment to specified persons

↓

If payment of Expenditure made to specified person (Relative) then
A.O. can disallow excessive or unreasonable Amount.

↓

Payment in excess of FMV ⇒ Excess disallowed.

Specified Person (Relative)

↓

Assessee

Specified Person (Relative)

- Individual

Spouse, Brother, sister or any
Linear Ascendant or Descendant of
Individual.

- HUF

member of HUF & Relative of
member

- firm

partner of firm & Relative of partner

- AOP/BOI

Member of AOP/BOI & Relative
of member

② [Sec 40 → Amount not deductible]

Section 40(a)(i)

Any Amount paid or credited to NR or foreign company

↓
on which Tds is deductible

↓
But Tds has not been deducted during PY
or

Tds deducted but not paid to Government up to date of RoI

↓
Then such amount = 100% disallowed in current PY.

↓
Allowed in previous year of deposit to Government

[If Tds deducted in subsequent year
or
Tds deposit after due date of RoI]

Section 40(a)(ia)

↓
Any Amount paid or credited to Resident

↓
on which Tds is deductible.

↓
But Tds has not deducted during PY
or

Tds deducted but not paid to Government upto ~~date~~ due date of RoI

↓
Then such Amount = 30% disallowed in current p.y.

Allowed in previous year of deposit to Government [If Tds deducted in
(subsequent year) or
Tds deposit after due date
of RoI]

NOTE:-

If any Amount paid/credited to payee without deduction of Tds

such payee → furnish his RoI

→ consider such Amount in ~~tax~~ Total income

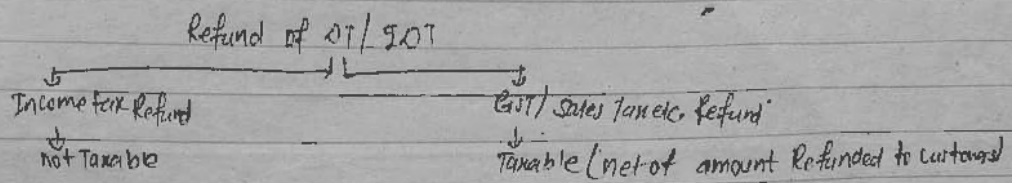
→ paid Tax due on such Amount.

↓
Amount disallowed will be allowed in year in which payee file his RoI.

Penalty (Late filing fees)
etc

Not allowed

Not allowed



- (12) Other penalties → For Indian Infraction/violation/Breach of law : Not allowed
→ for Breach of Contract (revenue nature) : Allowed
- (13) Regularisation/Compounding fees: Not allowed
- (14) Expenditure incurred on project not related to existing business project
was abandoned: Not allowed
- (15) Expenditure incurred by company on higher studies of director son abroad → Not allowed.
- (16) Expenditure incurred on heart surgery of Individual Assessee: Not allowed.
- (17) Commission paid to director by diagnostic Center for referring patients for
diagnosis: Not allowed
- (18) Freebies [Gift etc] → provided by Pharmaceutical Company to doctor → Not allowed
- (19) Tax on non-monetary perquisites of Employees paid by Employer → Not allowed.
(40(a)(ii))
- (20) Expenditure incurred (Premium paid) on Keyman insurance policy: Allowed
- (21) Sponsorship fees: Allowed.
- (22) Non Compete fees: Allowed.
- (23) Expenses on Glow sign Board (Not treated as capital Asset): Allowed
- (24) Expenditure incurred on alteration of dam to ensure adequate supply of water for P.M.
owned by Assessee : Allowed.

[Allowability of some expenses: main purpose]

① Corporate Social Responsibility (CSR) expenditure: Not allowed

② Dividend & DT: Not allowed.

③ Secret Commission, Bribe, Payment to Councillor - N. Allowed

④ Expenditure for Advertisement in screen, brochure, Newspaper, etc Published by Political Party: Not Allowed
(Eligible for deduction vis to E&E to company)

⑤ Contribution to Electoral Trust, other charitable vis to: Not allowed.
(Eligible for deduction vis to)

⑥ Provision for loss of subsidiary, provision for deferred tax, provision for diminution in value of Asset, provision for unascertained liability
Not allowed.

⑦ Provision based on tri estimate & reasonable Certainty as per ICGA → Allowed.

⑧ Provision for Contingency (even based on Actuarial valuation)
↳ Not allowed [Section 40A(7)]
(only gratuity paid is allowed)

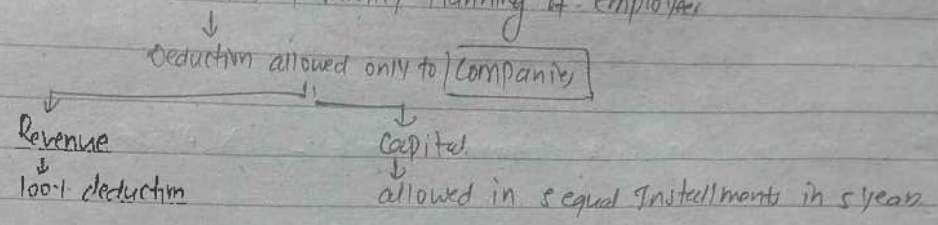
⑨ Share issue expense / other than preliminary
Incurred for IPO/FP0/Right issue
↳ Not allowed. Share issue (Buyback, Bonus) Allowed.

⑩ Expenditure Issue expense (including convertible Debenture): Allowed.

⑪ Tax, interest & penalties of DT/IOI
Direct Tax (Income Tax) Not allowed.
Indirect Tax (GST/Vat/Excise/other tax) Allowed.

Interest (including Tax & Income Tax) Not allowed. Allowed.

(1) Sec. 36(1)(ix): Expenses on Promotion of Family Planning of Employer



Note: - In case of Amalgamation / demerger, remaining deduction allowed to Amalgamated / Resulting Co.
 - Unabsorbed expenditure on family planning can be carry forward & set off same as additional depreciation.

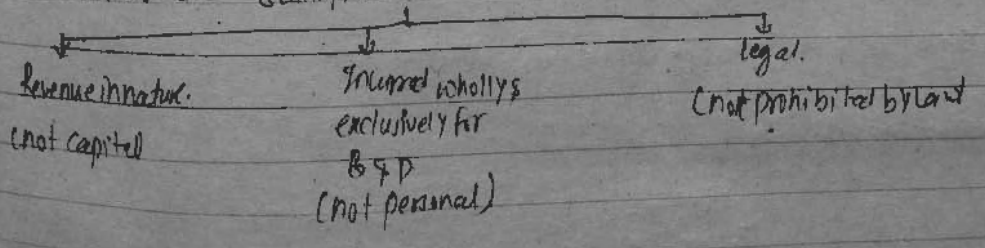
(2) Sec. 36(1)(xv) & (xvi): Security Transaction Tax (STT) / Commodity Transaction Tax (CTT) paid
 deduction allowed [if shares / unit / commodities held as stock in trade]

(3) Sec. 36(1)(xvii): Purchase of sugarcane.
 ↳ Expenses incurred by co-operative society engaged in business of mfg of sugar for purchase of sugarcane at a price which is equal to or less than price fixed by Government
 allowed as deduction.

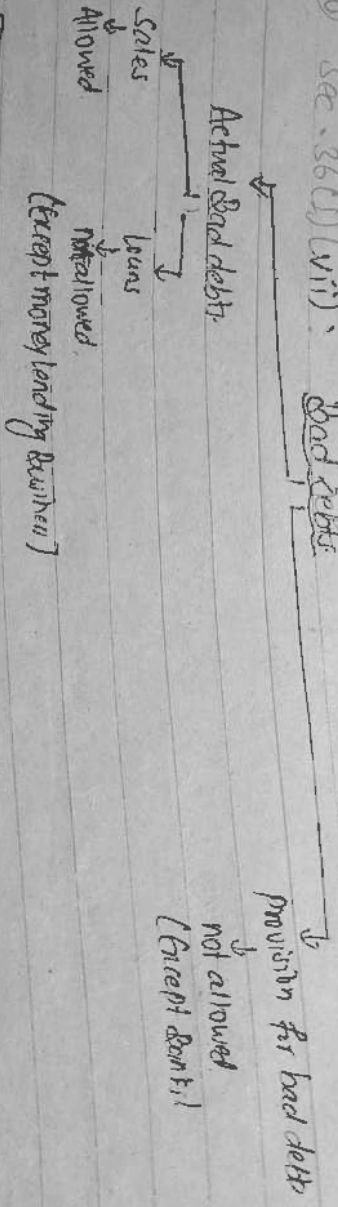
(4) Sec. 36(1)(xviii): Marked to market loss or other expected loss
 ↳ If MTM loss / other loss as per ILOS allowed
 ↳ other not allowed

* Section 37 -> General Deductions

Any Expenditure [other than covered u/s 30 to 36] is allowed as deduction, if following conditions are satisfied:-



(10) see. 36(LI) (vii) : Bad debts

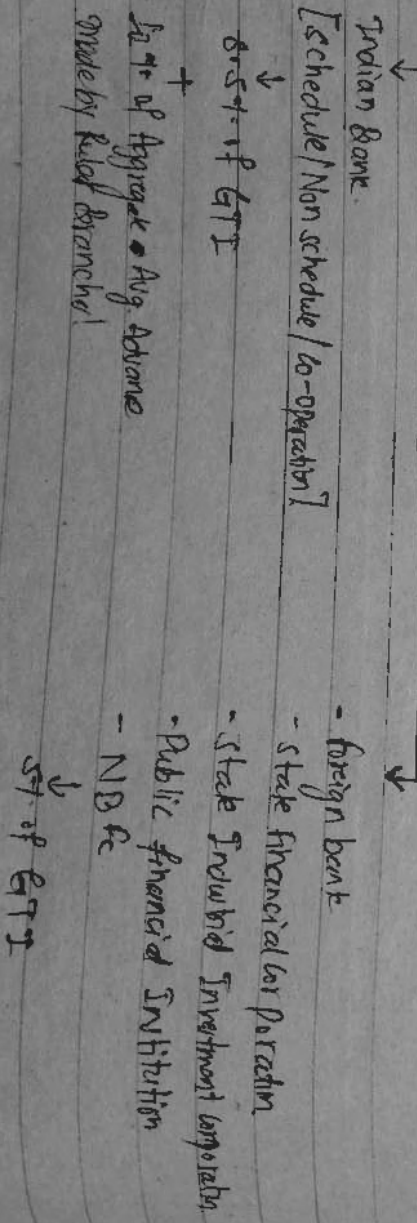


- [Note] :-**
- > Bad debts should be written off in the books in the P.Y in which deduction is claimed.
 - > Debt should be taken into account for computing Income for P.Y or earlier year.
 - > No need to prove that debts have become bad.

Recovery of Bad debts

↓
 Taxable under P&ID in year of Recovery
 Even if B&D is not in evidence in P.Y of Recovery.
 [Taxable only if a assessee who claims bad debt & assessee who recover is same]

Provision for bad debts of Banks [Section 36(LI) (viii)]



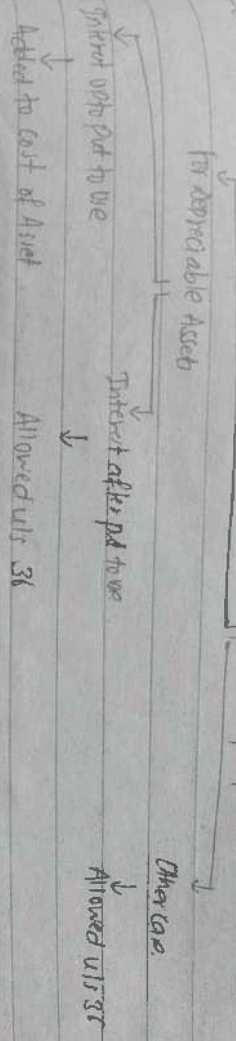
Actual Bad debts deduction in case of Banks [Sec. 36 (LI) (viii)]

Total Actual bad debts w/o
 (-) Provision upto year

 Taxable
 da

cost to

④ Sec 36 (1)(a)(ii) : Interest on loan for business purpose



⑤ Sec 36 (1) (iii) : Dividend on Govt Coupon Bond

Amortised over life of Govt Coupon Bond

⑥ Section 36 (1) (iv) : Employee contribution for benefit of employee

- Statutory provident fund
 - Recognised Provident fund
 - Approved super annuation fund
 - Approved gratuity fund
 - Any other fund as per law (ESI)
- Reduction allowed [subject to section 38]
- Unrecognised Provident fund
 - Unapproved super annuation fund
 - Unapproved gratuity fund
 - Any other fund
- No reduction

⑦ Sec 36 (1) (v) : Employer contribution in pension scheme u/s EOCCO

Actual contribution
or
% of salary [B.S + DA (if) + Commission on sale] → lower reduction

⑧ Sec 36 (1) (vi) : Employee contribution towards PF/ESI/ super annuation fund

Reduction allowed if amount deposited on or before due date of that fund
If not deposited by employer upto due date of that fund, then amount will be deemed to be income under DGRD

⑨ Section 36 (1) (vii) : Animals used in business (other than stock in trade)

Reduction allowed in year in which such animal becomes permanently useless or dies.
Reduction : Cost of Animal - Scrap value.

will be

Reduction Amount \Rightarrow Actual preliminary expense limit or lower reduction allowed in 5 equal installments 5 years.

Note \Rightarrow In case of Amalgamation / Demerger, Remaining deduction shall be allowed to Amalgamated / Resulting company.

Sec 35(2A) \rightarrow Expense on Amalgamation & Demerger.

\downarrow
Reduction only to Indian company which incurred expenditure.
 \downarrow
Reduction allowed in 5 equal installments in 5 years.

Section 35(2A) \rightarrow Expenses included under Voluntary Retirement Scheme (VRS)

\downarrow
Reduction allowed to All Assessee
 \downarrow
Reduction allowed in 5 equal installments in 5 years of Amount Paid
 \downarrow
Reduction for P.Y = $\frac{1}{5} \times$ Amount paid for VRS

Note: In case of Amalgamation / Demerger / Succession, Remaining deduction allowed to Amalgamated / Resulting / Successor company

Section 36 \rightarrow other reductions

- ① Sec 36(1)(i): Insurance premium if other.
- ② Sec 36(1)(ib): Health / medical insurance premium of Employee other than cash
- ③ Sec 36(1)(ii): Bonus or Commission to Employee.
 \downarrow
Allowed [subject to section 43B]

④

समस्त टाबलियत कोटि

Then, Actual cost of Asset for Non-specified Business

Cost of such Asset	NA
(-) Depreciation for each full py upto 31st March	(NA)
	NA

Sec 35CC → reduction of expenses incurred on notified Agricultural Extension project
reduction allowed to All Assesee

100% of expenditure [except land & building]

Sec 35CC2 → reduction of expenses incurred by company in notified skill development

Project

reduction allowed only to company
100% of expenditure [except land & building]

Sec 35D → Preliminary expenses

reduction only to Resident Assessee

who incurs Preliminary expenses at the time of

- Commencement of Business
- Extension of Business
- setting up New Unit

Maximum limit of reduction

Indian company

Other Resident Assessee

Scale of
or
cost of project
→ Capital employed → Higher

Scale of cost of project

Cost of project → Amount invested in fixed Asset of New Business / Extension / New Unit
Capital employed → Share Capital + Reserves + Long term Borrowing for New Business / Extension / New Unit
(except P&S)

- ② Warehousing facility for storage of sugar
- ③ Warehousing facility for storage of Agricultural produce
- ④ Cross country pipeline of Natural oil/Gas
- ① dummy pipeline for Transportation of Iron ore.
- ② Semi conductor wafer fabrication manufacturing unit
- ③ developing, maintaining & operating New infrastructural facility

Other points

- ① Business should be new [not formed by splitting or reconstruction of existing Business]
- ② Psm should be new except
 - ↳ Imparted old Psm
 - ↳ 20% of Total Psm can be old.
- ③ If Payment/Expenditure for capital Asset to a person in a single day exceed ₹ 10,000 by cash/Bearer cheque/cross cheque.
 - ↳ Then no deduction allowed for such payment/Expenditure
 - ↳ Ignore such amount

- ④ If deduction u/s 35AD is claimed, then deduction u/s 80 IA to 80 R&B & section 10AA shall not be allowed.
- ⑤ Loss from Specified Business is set off only from Profit of Any other Specified Business
- ⑥ Loss from Specified Business can be carry forward indefinitely
- ⑦ If Specified Business Capital Asset is sold
 - ↳ Amount Received Taxable under Pgs 80
- ⑧ If Specified Business Capital Asset converted/Transferred to Non-Specified Business
 - ↳ reduction Allowed [Cost of Asset] CA
 - ↳ Depreciation for each full PY (CA)
 - ↳ UP to Transfer Taxable under Pgs 80 CA

How, Actual

(-)

Sec 35CCC

Sec 35CC

Sec 35

Sec

Solo

Cost of Capital

If payment made before commencement of business

↓
Reduction allowed from P.Y. in which business commences till P.Y. in which spectrum / license expn.

If payment made after commencement of business.

↓
Reduction allowed from P.Y. in which spectrum / license fee paid till P.Y. in which spectrum / license expn.

Other points:

- > Depreciation u/s 32 shall not be allowed on ^{Tarcom} spectrum / license
- > In case of amalgamation / merger, remaining reduction shall be allowed to Amalgamated / Resulting company.

Section 35AD - Expenditure on specified business

Reduction allowed on All capital expense Except land / Goodwill / Financial instrument

Amount of deduction

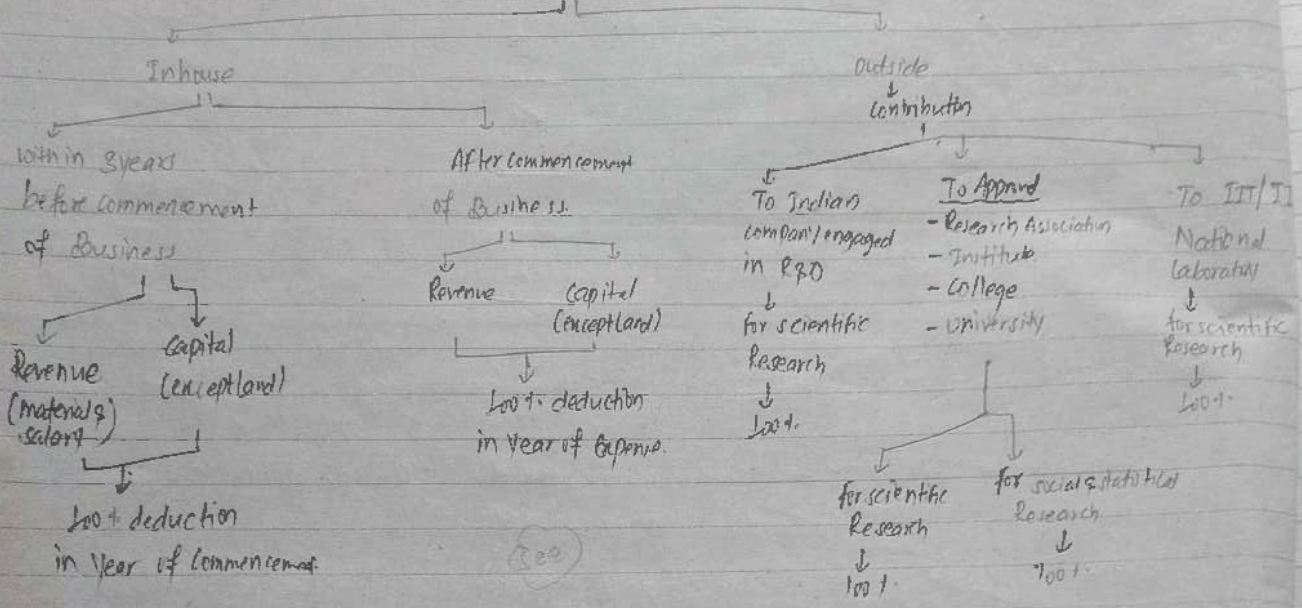
If capital expenditure incurred before commencement of business
↓
100% deduction in year of commencement.

If capital expenditure incurred after commencement of business
↓
100% deduction in year of expn.

Specified Business

- 1 Cold chain facility
- 2 Hotel of 2 star or above
- 3 Hospital with at least 100 beds for patients
- 4 Housing project under slum development scheme.
↳ under affordable housing scheme.
- 5 Production of fertilizers in India.
- 6 In land container sept
- 7 Honey production.

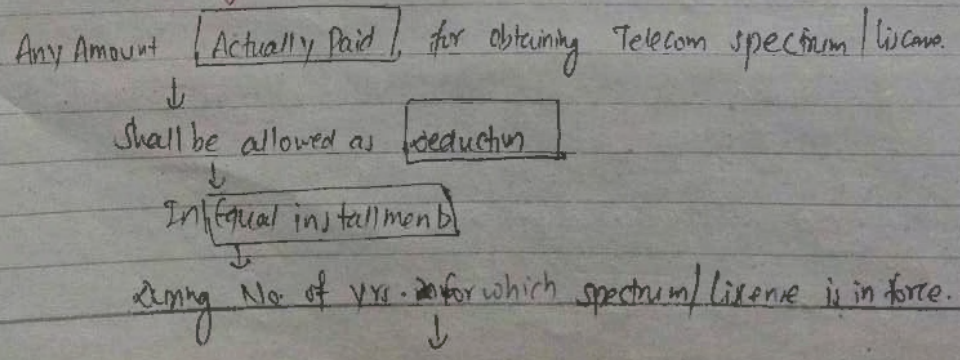
Section 35 → Scientific Research Expenditure:



Other Points

- Even if the approval of Institutions withdrawn after payment → deduction allowed
- Unabsorbed Capital Expenditure on scientific Research can be carry forward & set off same as unabsorbed depreciation.
- If scientific Research Asset is sold
 - ↳ Sale Amount
 - ↳ Reduction Allowed
 - ↳ Lower
 - ↳ Taxable under PG80

* Expenses for obtaining Telecom spectrum [Section 35 ABA] & Telecom license [Section 35 ABB]



Amnt withdrawn but not utilized during P.Y

As

Deduction allowed on Asset sold before 8
(cost) years during P.Y

As

As

F) Agricultural Portion

(As)

Taxable Income from B.S.P

As

(-) Brought forward Business loss (if any)

(As)

As

* Section 33 A & B -> deduction for petroleum & natural gas business

Eligible Assessee : All Assessee engaged in business of prospecting, extraction or production of petroleum or Natural gas in India

deduct : deduction allowed if same amount is deposited in SBI wite Restriction A/c upto end of P.Y.

Reduction Amount : Actual Amount deposited

or

20% of Profit from such Business
[as per IT Act]

} -> lower

Utilization of deduct : deposited Amount shall be utilized for purpose specified by ministry of petroleum & Natural gas in India.

non-utilization : If amount utilized for following purpose, deduction allowed earlier shall be

Taxable under P.G.B.P

↓

- for PGM used in office premises or Residential Accommodation

- for office Appliances (other than computer)

- for PGM on which 20% deduction is allowed under P.G.B.P

-> Any Amnt. withdrawn shall be utilized in P.Y. of withdrawal. otherwise such amount is treated

-> when Asset purchased is sold/Transferred before expiry of 8 years from end of P.Y in which

it was acquired, then deduction allowed earlier shall be taxable under P.G.B.P in year of

Sale

If same amount exceeds deduction, Balance taxable as Sec 57 C.G. 7

Qualification: If Amt utilized for following purpose, then amount utilized shall be

Taxable Under PGBP



- For room used in office premises or Residential Accommodation
- for office Appliances (other than computer)
- for Pym on which 100% deduction is allowed under PGBP.

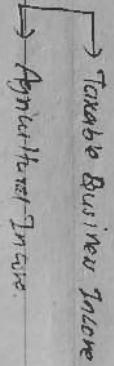
→ Any Amount withdrawn shall be Utilised in P.y. of withdrawal, otherwise such Unutilised Amount is Taxable

→ When Asset purchased is sold / Transferred before expiry of 8 years, from end of P.y. in which it was acquired, then deduction allowed earlier shall be taxable under PGBP in year of sale

[If sale Amount exceeds deduction, Balance taxable as STCG]

cost of sales

Income Calculated above shall be further divided into as per following Parts.



Income from Growth Ring in India

Taxable Business Income

Agricultural Income

Tea	40%	60%
Rubber (later)	35%	65%
Coffee [Grown & Curd]	25%	75%
Coffee [Grown, Curd, grinder floor V]	40%	60%

Calculation of Taxable Business Income

Net Profit as per Income tax Act before deduction U/S 33 AB Add

e) reduction U/S 33 AB → $\frac{\text{Amt deposited}}{\text{Total Inv}}$ Add

Utilized Amount during P.y. Add

→ Amt

→ 10%

Amt

De

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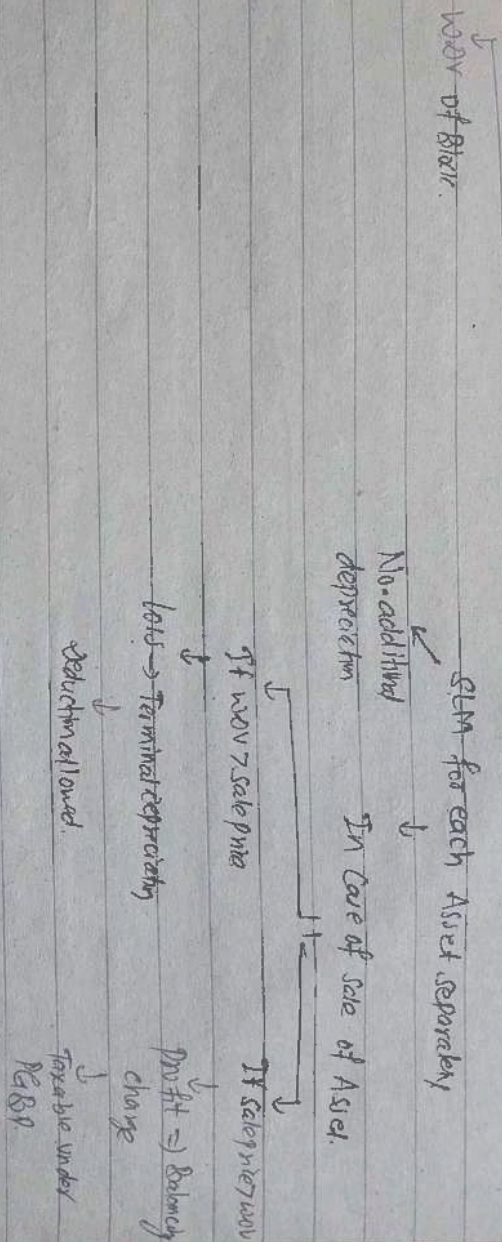
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Utilized

Am

Depreciation for Undertaking engaged in generation of power.



Unabsorbed depreciation Loss sold

Profit before deducting depreciation as per Income Tax Act and
 (-) depreciation as per Income Tax Act

Unabsorbed depreciation (as)
 ↓
 Can be set off from any head of Income
 (except salary) and can be carried forward indefinitely.

Sec 33AB → deduction for Tea/Coffee/Rubber Business.

Eligible Assessee: All Assessee engage in Business of Growing/Manufacturing Tea/Coffee/Rubber in India.

Deposit: deduction allowed if some Amt is deposited in NABARD.

upto → due date of FOI
 ↳ 6 months from end of PY } -> earlier.

Deduction Amt: Actual Amount deposited.
 OR
 40% of Profit from such business
 ↳ less per Income Tax } -> lower.

Utilization of deposit: deposit Amount should be utilized for purpose specified by Tea/Coffee/Rubber Board.

① Asset Transferred by Amalgamating Co. to Amalgamated Co.

W.O.V of Amalgamating Co.

depre

② Asset Transferred by merged Co. to Resulting Co.

W.O.V of merged Co. if Asset Transferred.

③ Section 35AD Asset

Nil.

Other Points relating to depre

① If Asset use for partly business & partly personal purpose depre allowed only for business use.

② Section 43A

When Asset purchase in foreign currency in credit

profit/loss due to foreign exchange fluctuation at the time of payment

shall be adjusted from cost of Asset

If profit
↓
Reduce from
cost of Asset

If loss
↓
Add to cost of
Asset.

[Also, includes profit/loss on Hedging contract entered for such Asset]

③ depre in case of Amalgamation/merger/succession

- Succession of firm/proprietorship by company

- Conversion of company into LLP

- Amalgamation/merger of companies

→ depre in calculate normally

→ After that, depre shall be distributed between predecessor and Successor in ratio of no. of days for which Asset were used by them.

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12

Actual cost of Asset

Normal case

- Purchase price (100%)
- (+) Installation, Transportation, Trial Run expenses (100%)
- (-) Taxes & duties (if ITC not available) (100%)
- (+) Interest on loan taken for purchase of Asset (100%)
LWD to be paid to yield
- (-) Subsidies / Gov. grant received for purchase of Asset (100%)
(100%)

Note: If payment / expenditure for Asset to a single person in a single day exceeds Rs 10,000 by cash / Bearer / cross cheque.

Then such payment / expenditure shall not form part of Actual cost of Asset → Ignore

Such Amount

Special Case

Case

Asset used in scientific research

Actual cost of Asset.

Nil

Stock converted into capital Asset under B.P.

FMV on date of conversion.

Asset Acquired by Gift/Will

W.D.V of previous owner.

Reacquisition of Asset sovt.

Reacquisition price

or

W.D.V at the time of sale.

Lower.

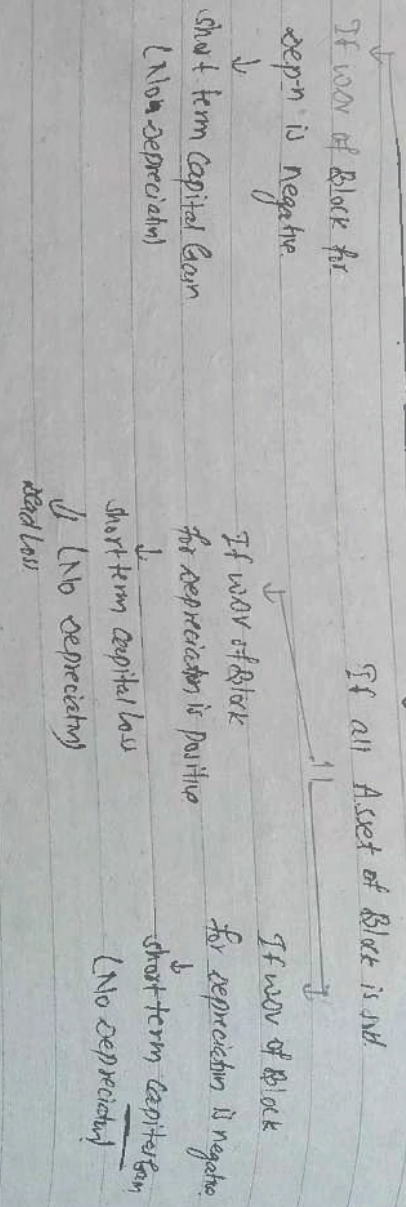
Asset used for personal purpose brought into Business.

Building → original cost - depreciation upto date
other Asset → original cost.

Asset Transferred betⁿ Holding & 100% subsidiary company

W.D.V of Transferee.

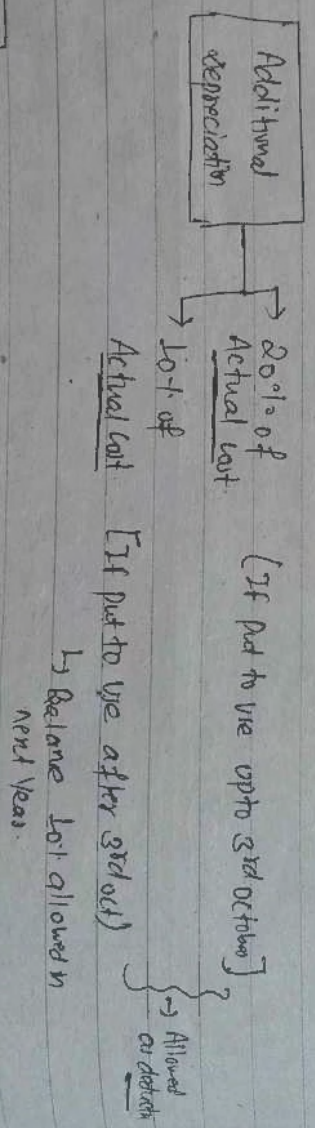
* Capital Gain/Loss on depreciable Asset



Additional depreciation

→ Assesse engaged in business of manufacturing / production of any article [factory / industry] or Generation / Transmission / Distribution of Power

Purchase New plant & machinery during P. year



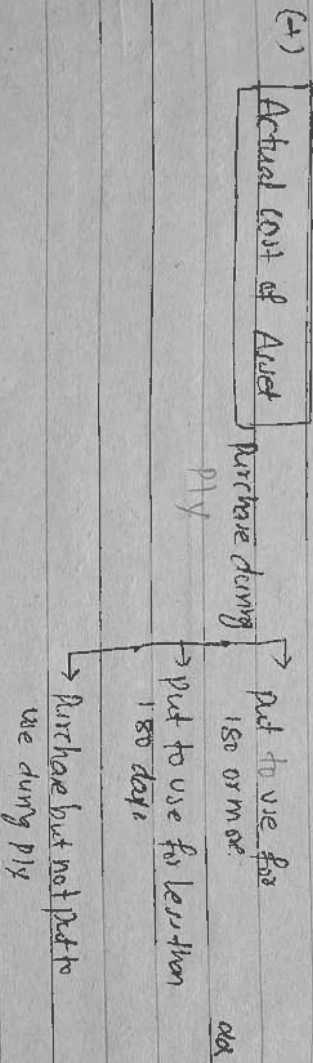
Note → Business of printing & Publishing also treated as manufacturing.

No Additional depreciation in following Psm.

1. Second hand used Psm
2. Psm installed in office premises or Residential Accommodation
3. ships, Air^{craft}, Road Transport vehicles
4. Psm on which 100% deduction is allowed under P&BP.

Calculation of WDV of Block and depreciation

Opening WDV of Block as on 1st day of P.Y. (Ans.)



(-) Amount Received on Asset sale/dismantled/demolished/destroyed during P.Y.

(Ans.)

WDV of Block for depreciation

(-) depreciation

(Ans.)

Closing WDV as on last day of P.Y.

depreciation on WDV of Block

ON cost of Asset
Purchased but not put to use during P.Y.
↓
No depreciation

ON cost of Asset
put to use for less than 180 days
(put to use after 3rd October)

↓
Half Rate of Dep'n

Balance WDV
↓
full Rate of Dep'n

[Half Rate Reduction applies only when purchase & put to use year is same]

eg

Purchase	Put to use	
2019-20	11.12.20	Full Rate
	(2020-21)	
2020-21	11.12.20	Half Rate
	(2020-21)	

Depreciation Rates:-

Building

- Block 1 → Residential Building → 5%
- Block 2 → Commercial Building → 10%
- Block 3 → Temporary structure → 40%

Furniture:

- Block 1 → All furniture → 10%

Plant & machinery

- Block 1 → Aeroplanes, Pollution control equipments, medical equipments, windmills
Energy saving devices, Books & Annual Publications, Computers including
Computer software & Accessories } → 10%

Block 2 → Motor car used in Business of Running on Hire → 30%

Block 3 → other motor car, oil wells, office equipment, PPAB's mobile phones,
Other psm → 15%

Block 4 → ships → 20%

② Intangible Assets:-

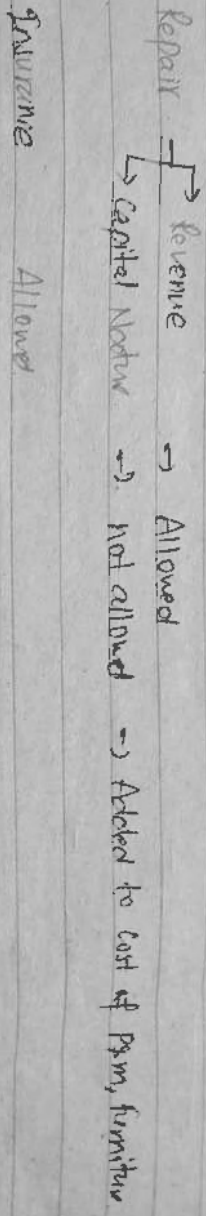
Block 1 → All tangible Asset → 25%

* Block of Asset

Same class of Asset
and
Same rate of depreciation

→ depreciation shall be allowed on way of Block of Asset at prescribed percentage.

Section 31 - Repair & Insurance of Plant & machinery furniture



Section 32 → depreciation as per Income Tax Act.

Conditions to claim depreciation

- 1) Asset must be used in B & P Trade or Personal.
- 2) Assessee must be owner of such Asset [wholly or partial]

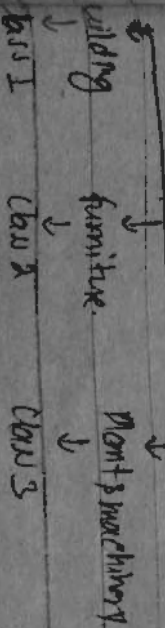
Note:

- Depreciation allowed only when Asset is Put to use not when ready.
- However in case of
 - Stencil by equipment
 - Fire extinguisher
 - machinery spares
 → depreciation allowed even if they are kept ready for use.

- Depreciation is allowed to beneficial owner.
- In case of lease Asset, lessor is entitled for depreciation
- It is mandatory to claim depreciation
- No depn in land.

Depreciable Assets:

Tangible



Plant & machinery

Class 3

Intangible

Knowhow, patent, copyright, Trade mark, license, franchise, OR any other benefits or commercial right of similar nature (eg. Goodwill) class 4.

Section 29 → Income from DEBP computed as per section 30 to 43D.

Calc'n of DEBP Income
Profit/Loss as per PCL A/c (xx)

Add:-

- 1 - Depreciation related to PCL A/c (xx)
- 2 - Expenses debited to PCL A/c but not allowed as deduction under the head (allowed) (xx)
- 3 - Income not credited to PCL A/c but Taxable under this head. (xx)

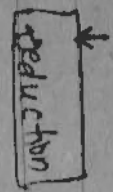
Less:-

- 1. - Deprn as per Income Tax Act (xx)
- 2. Expenses not debited to PCL but allowed as deduction under this head. (xx)
- 3. Income credited to PCL A/c but not Taxable under this head. (xx)

eg. LG, O.S. dividend, Arg. Interest etc!

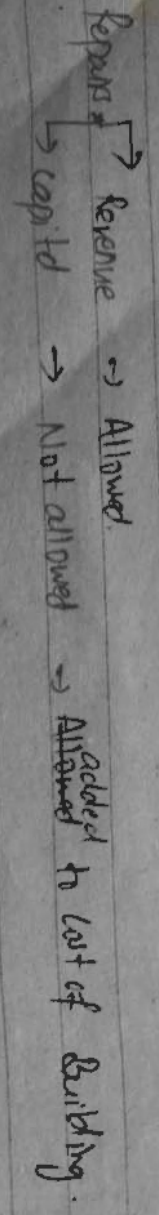
Income from BPP (xx)

Section 30 → Rent, Rates, Repairs & Insurance from Building used in BPP



Rent Allowed

Rates (Municipal Taxes) Allowed.

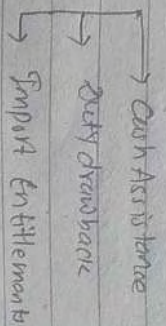


Insurance - Allowed.

Section 28: charging section

following income are taxable under this head

- ① Profit or Earnings of any business or profession carried by Assessee during Year.
- ② Assistance, Grant or subsidy received from Central/State Govt relating to B.S.P.
- ③ Export Incentive



④ Value of any gift, benefit or perquisite arising from B.S.P.

⑤ Amt. received for non carrying out any activity relating to B.S.P Non sharing Intangible Asset → provision Company tax

⑥ Amount received under Keyman Insurance Policy.

⑦ Fmv of stock on conversion into capital asset.

⑧ Interest, Salary, Bonus, Commission or Any remuneration received by Partner from firm/LLP

↳ UP to deduction allowed to firm 41S 40(Lb)

Speculative Business → Part of business consists of purchase/sale of shares & commodities other than by actual delivery

↓
Profit/Loss of speculative business is to be calculated separately

Following are not speculative Transactions:

- Hedging contract
- Forward contract
- Trading in derivatives/Commodity derivatives