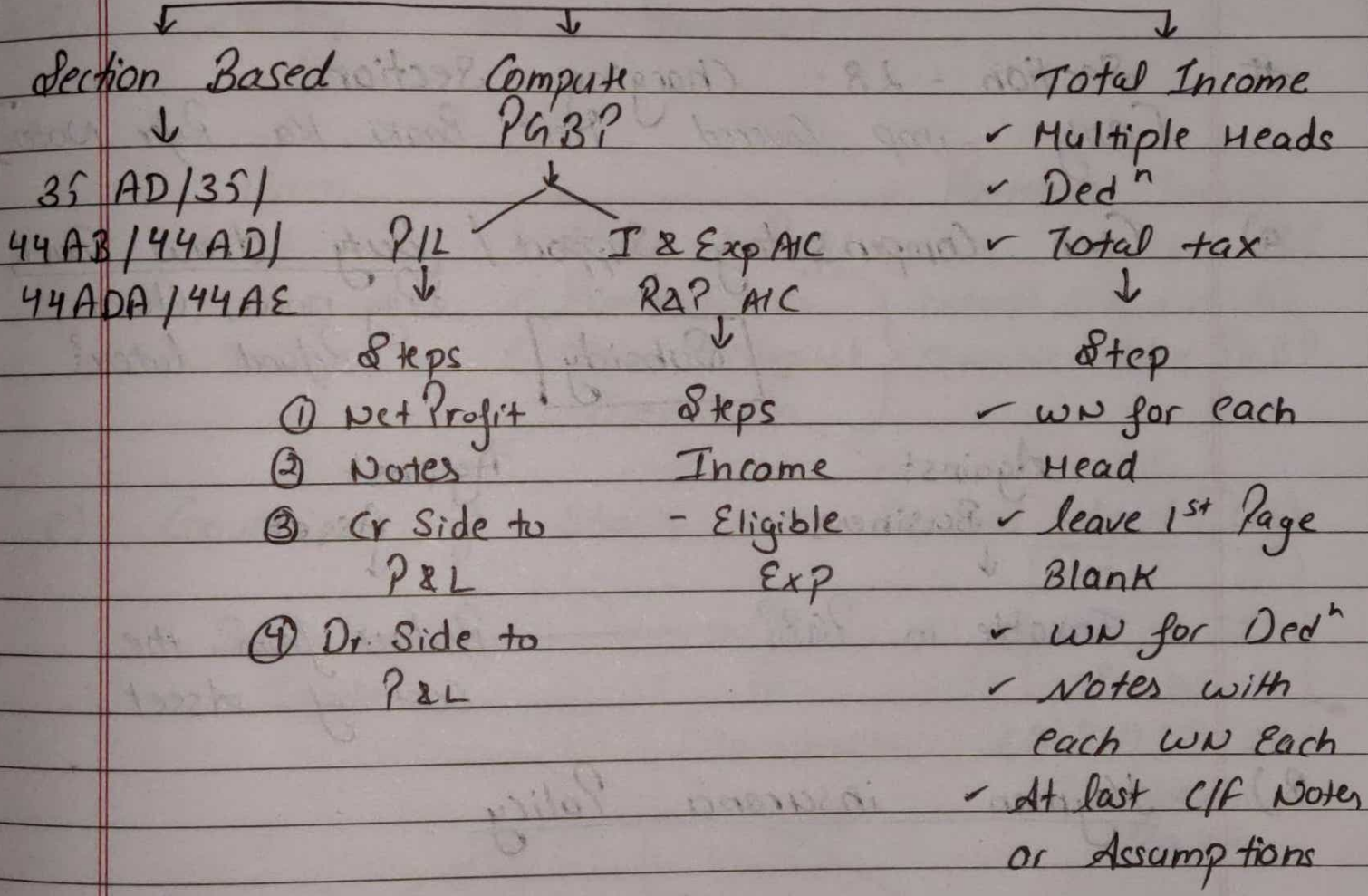


P&B?

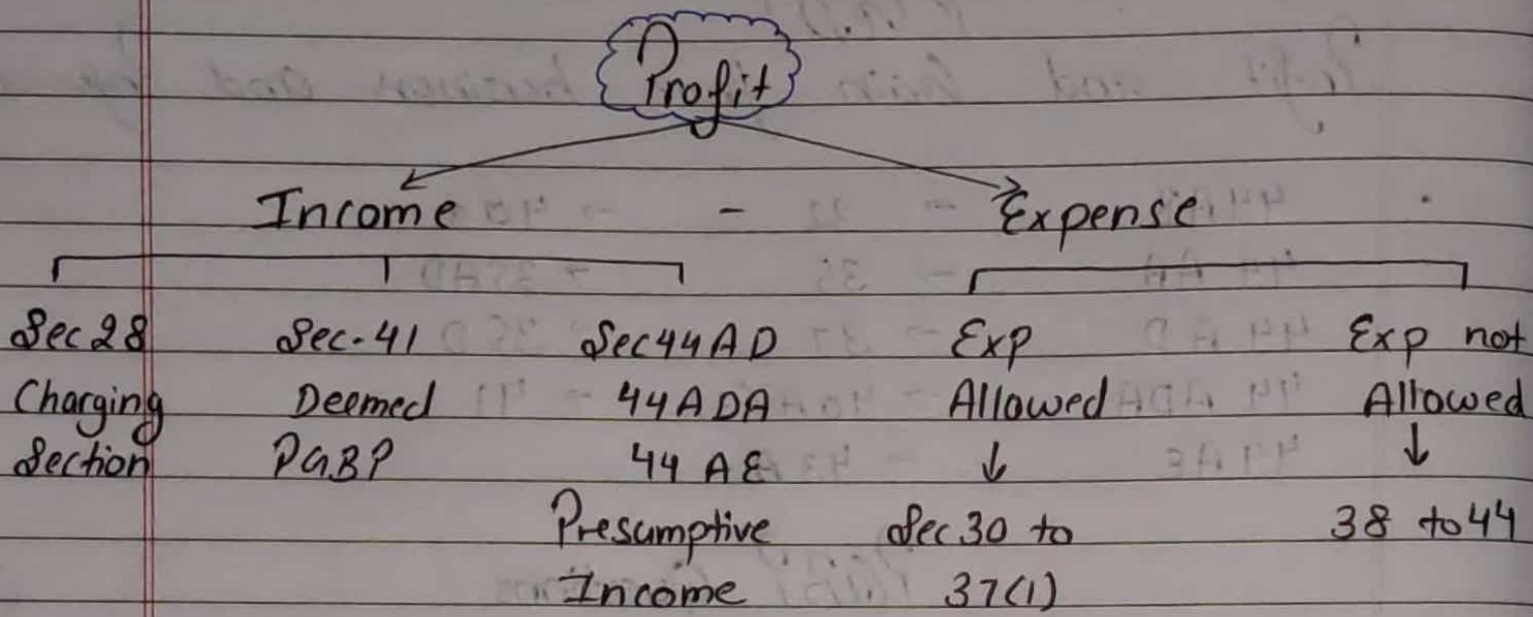
Profit and Gain from business and Profession

- 44 AB → 32 → 40 a
- 44 AA → 35 → 35 AD
- 44 AD → 37 → 35 D
- 44 ADA → 40 A (3) → 41
- 44 AE → 43 A

P&B? Questions

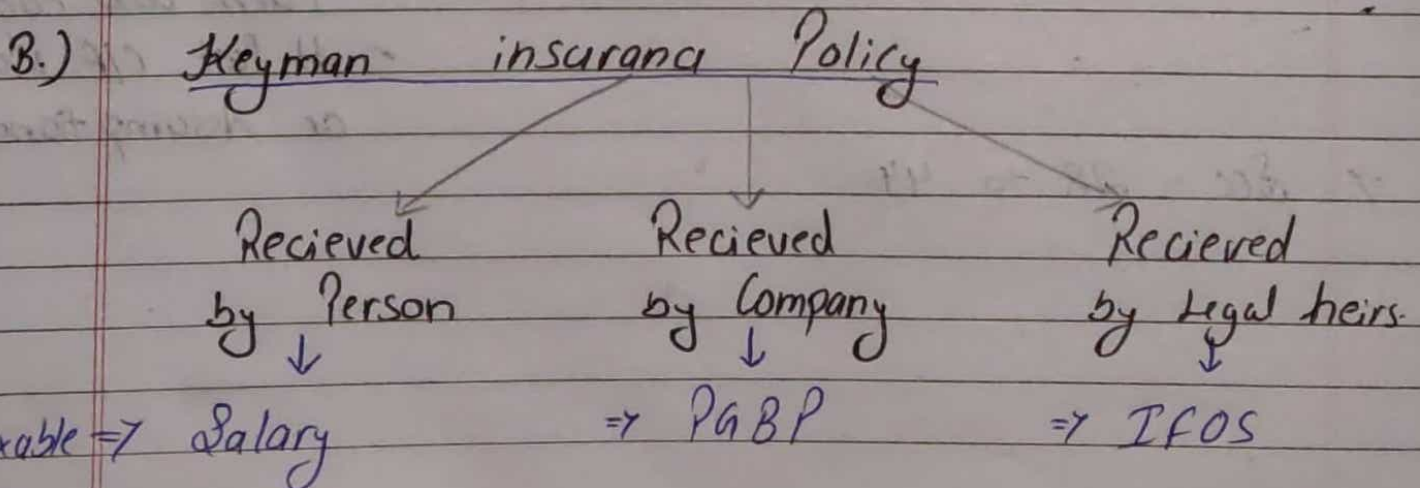
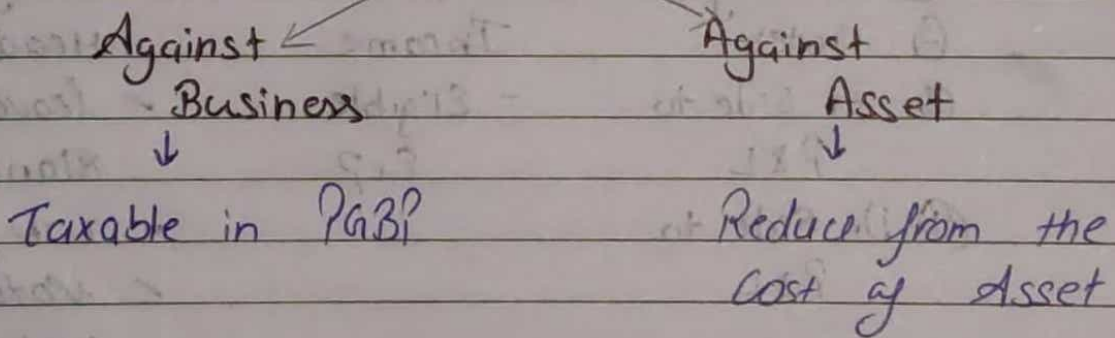


⇒ Sec - 28 to 44



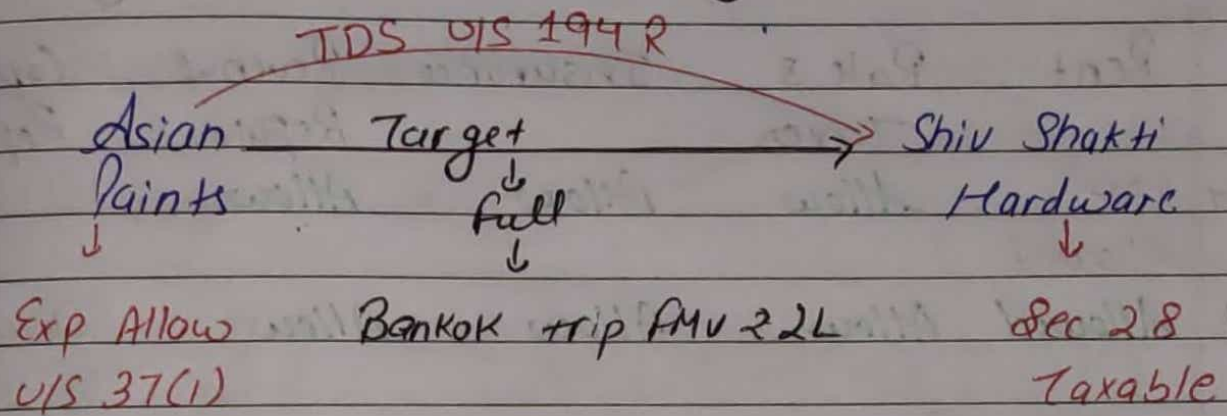
Section - 28 : Charging Section
[Only imp covered here Baaki ka Refer Notes]

a) Cash Compensatory Support / Duty draw Back
↓
Subsidy
{ Pay now, Claim Refund later }

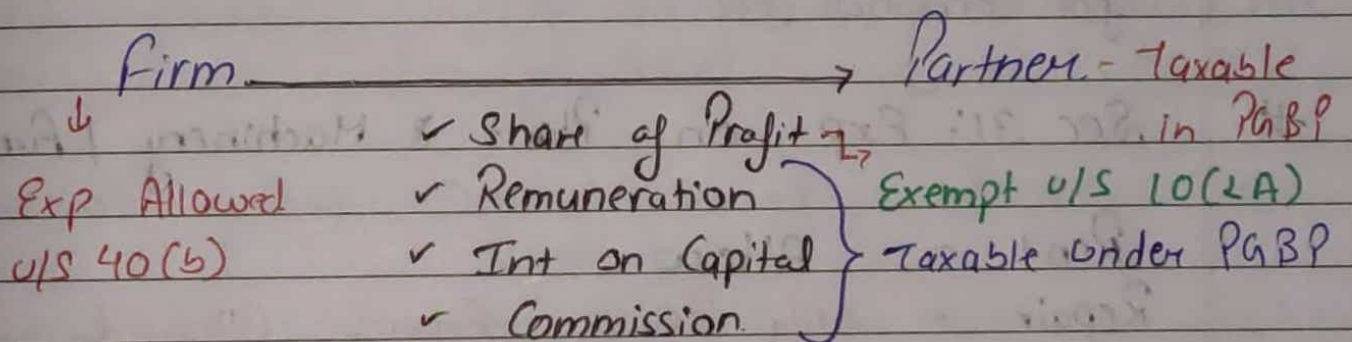


Taxable ⇒

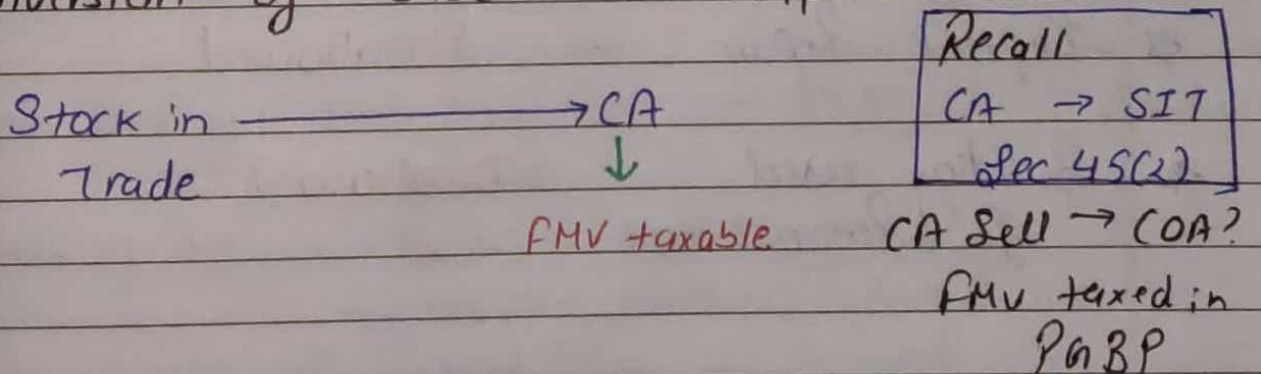
c) Benefit or Perk out of Business & Profession



d) Salary to Partners



e) Conversion of Stock into Capital Asset [CA]



Sec 30: Expenses on Building

	Rent	Rate & Taxes	Insurance	Revenue Repair	Capital Repair
Owner	Not Allowed	Allow	Allow	Allow	Disallow
Tenant	Allowed	Allow	Allow	Allow	Disallow

* Cap Repair - Disallowed

* Building used for Personal use - Disallowed

Sec 31: Exp on Plant & Machinery / Furniture

Rent - Allow
 Repair - only Revenue Expense Allowed
 Insurance - Allow

* Capital Repair - Disallowed

* Building used for Personal use - Disallowed

Section 38 Partly Business / Partly Personal Expenses.

Personal - Dis Allowed
 Business - Allowed
 Done by AO

Sec-32 Depreciation

Dep in AIC

Dep in Income tax

Interlinking
 32, 32(1)(i), 32(i)(ia)
 43(i), 43(6), 32(2)
 2(ii), 40A(3)

• Dep on Individual Asset

• Dep on Block of Asset

• Dep on value of Asset

• Dep on WDV of Block of Asset

Sec 2(1) Block.

• No Rate of Dep

• Dep Rates are Prescribed.

Depreciation on Tangible Intangible

• No Concept of Add Dip

• we have Add. Depreciation

- Building
 - Furniture
 - P&M
- ↓
Do 'nt Incl Goodwill

• Dep is from Date of Acquisition

• Dep from Put to use

• Many Methods of Dep

• only WDV method Except for Power generation unit → [SLM to Power GU]

• Actual cost is not Defined

• Actual cost is Defined

Sec 43(6) WDV

Opening WDV	xxx
+ Actual cost of Asset Acquired	xx
- Sale / Discarded	xx
Cl WDV	xxx

Dep on Cl WDV

Rate of Depreciation

a) Building

General Rate	10%
Staff Quater	5%

b) Furniture 10%

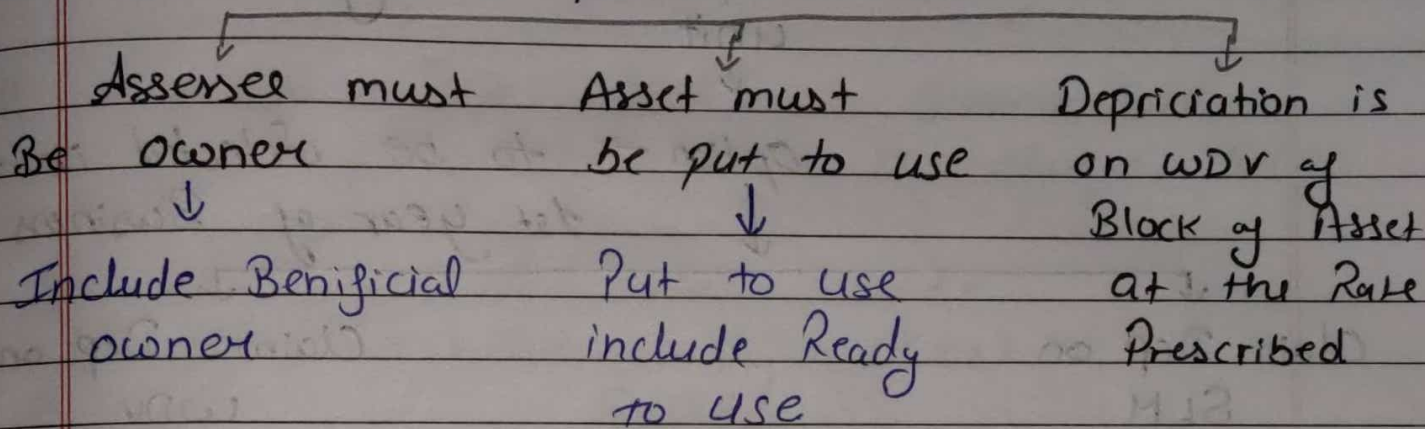
c) Intangible 25%

d) P&M

General	15%
Books / Computer	40%

Section - 32 Depreciation

Sec-32 Depreciation



✓ Lease - Lessor

✓ HP - Hire Purchase

↓
* In the year of
Acquisition
used > 180 Days = Full Dep
used < 180 Days = Half Dep

Sec - 32(1)(ii'a) : Additional Depreciation (Not available if opt for Default Regime Sec 115 BAC)

- Assessee:
- ① Engaged in Manufacturing
 - ② $\text{---} \text{---} \text{---}$ in Power Gen / Distribution / Transmission
 - ③ CBDT \rightarrow Printing & Publication

Allowed for 5 year only

* Acquired New (P & M)

* Doesn't include

- a) Second hand P & M
- b) Installed in office / Guest house
- c) Ship / aircraft / Transport vehicle
- d) whose whole cost is allowed as ded

Dep ✓
Add Dep ✗

✓ Acquired new P & M on or after 31/3/2005

✓ Add dep @ 20% of Actual Cost of Asset

10% if used for less than 180 days & Balance 10% in Subsy year

Sec 32(1)(i) Dep in case of Power Generating unit

Option → to be selected in the 1st year of Business

Claim Dep on SLM

Claim Dep on WDV

In future Sale of Asset on which SLM Dep is claimed.

Loss
↓

Loss is called as "Terminal Dep" if Dr To P&L

Allowed as Deduction.

Profit
↓

"Balancing Charge" upto an amount of Dep claimed → P&B

Sec-41

Amount above Cost of Asset → STCG

Sec-32(2) : unabsorbed Depreciation

- ✓ CIF for any no of years
- ✓ Setoff with any Head Except Salary
- ✓ CIF Even if ROZ is not filed or not filed on time
- ✓ order to Setoff

- ① Cr Dep
- ② BIF loss
- ③ unabsorbed Depreciation.

#

(+)
(-)

Not

Sec 43(C1) :- Actual Cost :- (Refer notes)

Sec 50: Dep Asset is sold Sold -
∴ The Gain is always STCG

Sale value	xxx
- WDV	(xxx)
STCG/	xxx
STCL	<u> </u>

Problem no-3

Particular	P&M	Building	Patent
Op WDV	1450000	2500000	1500000
(+) Actual Cost	1600000	1500000	500000
(-) Sale	(50000)	-	(300000)
WDV	3000000	4000000	1700000

Normal dep

P&M

26L x 15%
4L x 7.5% → 420000

Building

25L x 10%
15L x 5% → 325000 425000

∴ Total Dep = 1170000

Notes: Ins Comp received Reduced from WDV
Land is not eligible for Depreciation.

* May 2024 (100%)

Dep in case of Amalgamation / B. reorganised.

Step-1 Calculate total Dep As if no Amalgamation has taken Place

Step 2: Divide total dep in no of Days asset used

* Practicle Problem - 2

Depreciation

P&M 12L x 15% = 180000

Building 25L x 10% = 250000

Total 430000

Cropi → 1/4/23 → 30/6/2023 = $\frac{91}{366}$

Cropi Pvt → 1/7/23 → 31/3/2024 = $\frac{275}{366}$
Ita.

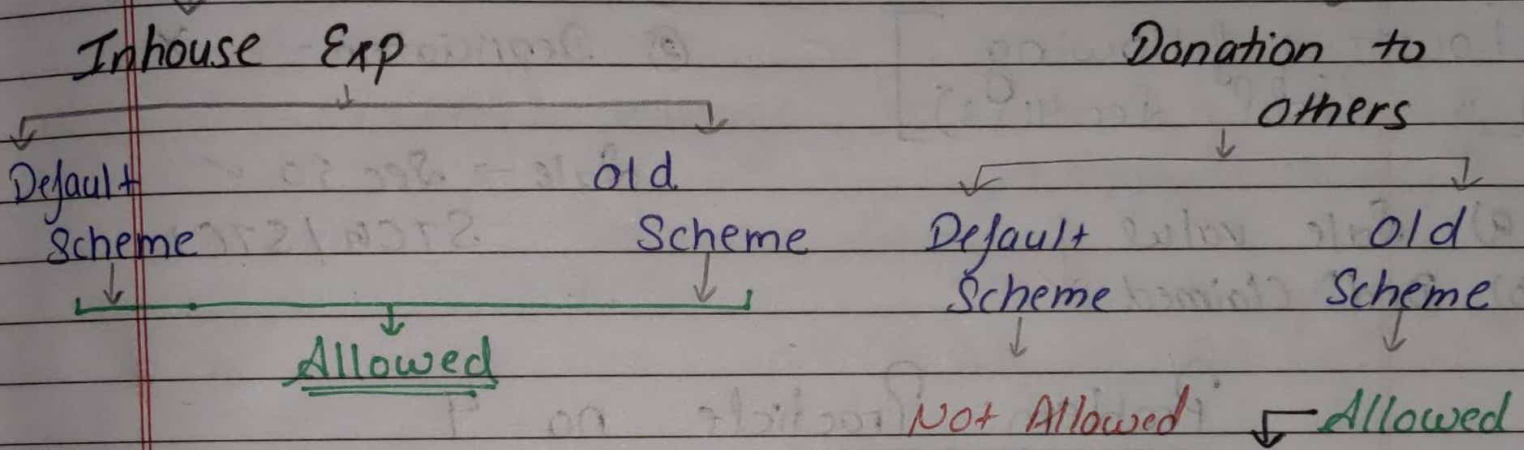
Depreciation. Split

Cropi = $430000 \times \frac{91}{366} = 106913$

Cropi Pvt = $430000 \times \frac{275}{366} = 323087$

P&M
 $10L \times 7.5\% = \frac{75000}{398087}$

Sec - 35: Scientific Research Expenditure - Any Assessee.



Dedⁿ = 100% of

Capital Exp
 Revenue Exp
 [Exc: land]

- 1] National Lab/ IIT → 100%
- 2] To Co. having Main obj Research → 100%
- 3] To Approved Inst → 100%
- 4] To Approved Association for Social & Static → 100%

Incurred in ?Y : Allowed
 Incurred Before Commencement → Allowed for Max 3Ys

Notes -> a) Dedⁿ allowed only if Assessee Submit Detail of all Payment recieved
 b) Payee must get a Certificate of Donation made
 ↳ 234A → if statement not filed fees of ₹200 per Day is applicable + Penalty Min 10000 Max 100000

Sale of Asset used for Scientific Research

without being used for other Business

after Being used for other Business

[Lower of following
B P&BP → Sec 41(3)]

- ① Actual Cost → Nil
- ② Depreciation - X

Sale → Sec 50 ✓

STCG / STCL

- a) Sale value
- b) Dedⁿ Claimed

Problem Practice no-4

If they opt out of default scheme

Particular	₹	%	Deduction
1.) Approved	100000	100%	100000
2.) IIT	250000	100%	250000
3.) Main obj as Research	400000	100%	400000
4.) Inhouse	1850000	100%	550000
Exc land			
			<u>1300000</u>

Notes Exp on land not allowed as dedⁿ

Specific Research

used
Business

nil
X

TCL

eme

on

o

ow

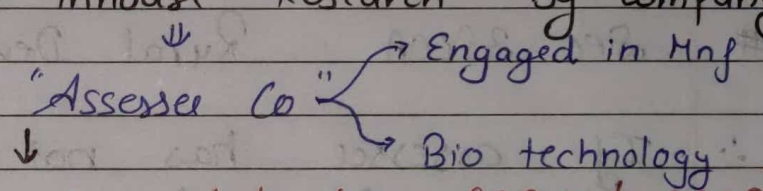
as dedⁿ

* If opted for 115BAC

Note -> If Assessee opt for 115BAC exp on Inhouse Research is only allowed as dedⁿ

do total dedⁿ u/s 115BAC is 550000

Sec 35(2AB) Inhouse Research by Company



* who has not opted for 115BAA / 115BAB *

Inhouse Exp Incurred

- * Building - 100%
- * Land - -
- * Other Revenue Exp - 100%

Sec 35CCC

Agri Extension Project

↓
"any assessee"

"Not opted for default Scheme"

=> Deduction = 100%

Sec 35CCD
Skill develop Exp
↓
"Company"

Not opted for Default Scheme.

Deduction - 100%

Sec 35CCA : Rural Develop. Expenditure

∴ If assessee has not claimed dedⁿ
u/s 80 GGA
↓

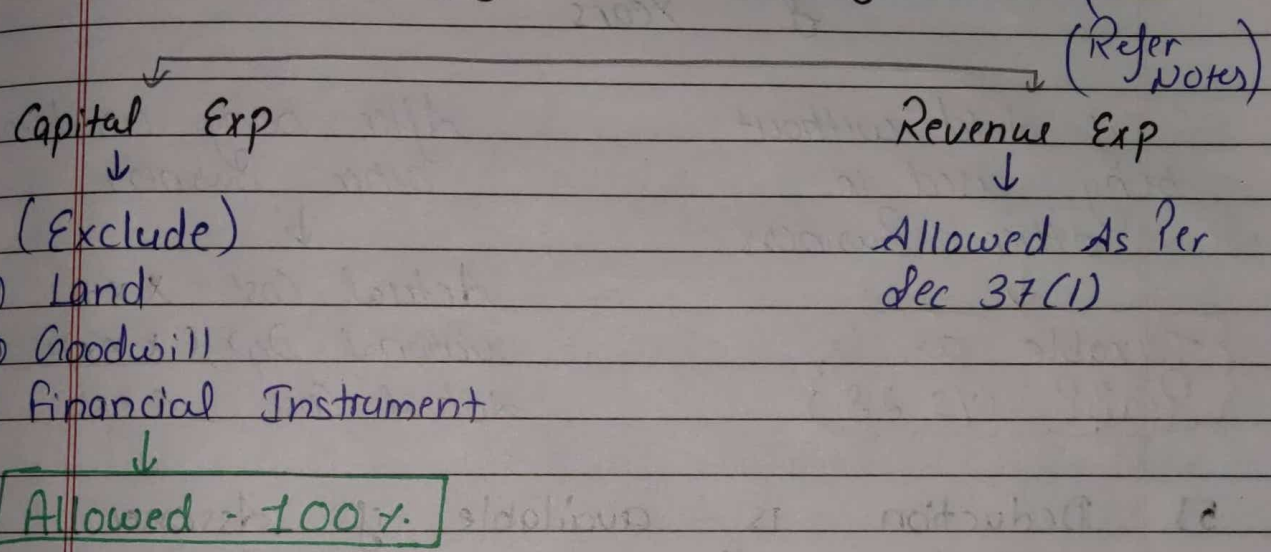
Donation for { National urban Poverty, Eradication fund
National fund for Rural Development }

Deduction ⇒ 100%

Sec-35 AD : Specified Business.

"If opted out of Default Scheme"

Assessee Engaged in Specified business



Notes (1) if dedⁿ claimed u/s 35AD
(i) Its actual cost → Nil
(ii) No dep on Such Assets 43(1)

(2) Loss from Specified Business Can be set-off against Income of any other Specified Business & Balance loss shall be C/F for unlimited Period

(3) It must be a new Business & P&M must be new P&M, However 2 P&M also considered as new
a) P&M Imported from Foreign
b) if value of 2nd hand P&M does not exceed 20% of total value of P&M

4) Sale of Asset used for Specified Business

Asset must be held for 8 years

if sold without being used in other Business

Taxable as PGBP u/s 28

After being used in other Business

$$\begin{array}{r} \text{Actual Cost } \times \times \times \\ - \text{Notional Dep } (\times \times \times) \\ \hline \text{Actual Cost } \times \times \times \end{array}$$

5) Deduction is available if Assessee continue to own the hotel, Transfer its operation to other Person

Practice Problem-6

* Assumed opted out of default tax Scheme (115BAC)

	Net Profit	8000000
Less:	Ded ⁿ u/s 35AD	
①	Land	-
②	Building	(1,80,00,000)
③	P&M	(3000000)
	Loss	<u>1,30,00,000</u>

Note: The above loss shall be carry forward

Problem no - 7 / Assuming opt out of Defaul [Specified]
For MNP

Particular	(₹)
Net Profit	80,00,000
- Capital Exp	(40,00,000)
- other Cap Exp	(1,50,00,000)
Net loss	1,10,00,000
+ Profit from other Specified Biz	1,30,00,000
PABP	<u>20,00,000</u>

NOTE: ① Expenditure on land is not allowed as dedⁿ

② loss from Specified Business can be setoff against income from Specified Business

* Yes assessee will be eligible u/s 35AD if he owned the hotel and transfer the operation thereof to another person

Sec 35 DD
 Exp on Amalgamation

"Any Assessee" incurred Exp on Amalgamation.
 (Indian Co)

↓
 Dedⁿ on 1/5th Basis over 5 year

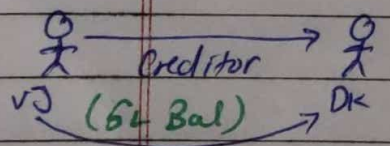
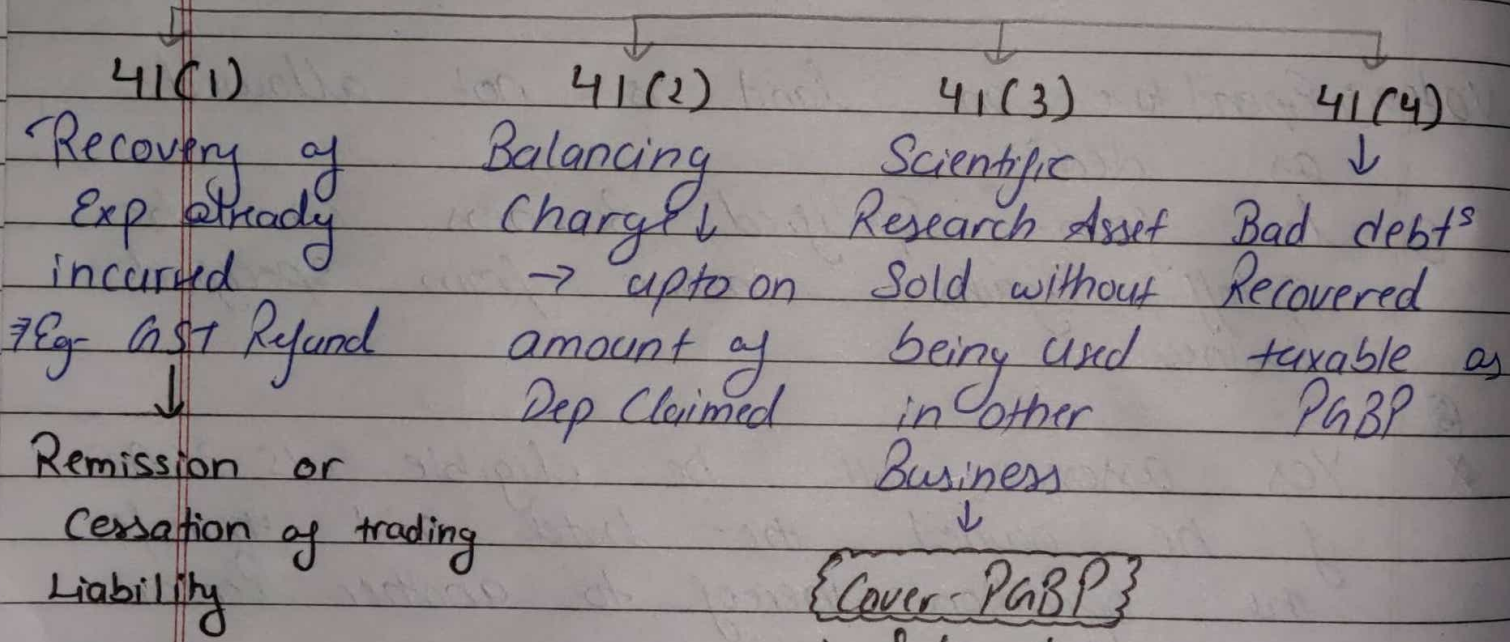
(1/5 Disallow in year of Expense)

(eg) $5L \times \frac{1}{5} = 1L$

Sec 35 DDA
Exp on vRS

"Any Assessee" incurred Exp on vRS
↓
Dedⁿ on 1/5th Basis over 5 years

Sec - 41 : Deemed PGBP



50000 in full &
Final Settlement

Benefit to VJ → 4.5L
↓
[Taxable as PGBP to VJ]