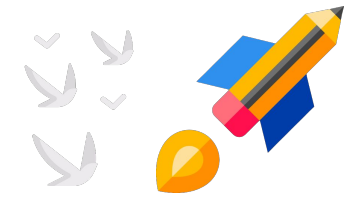


# ***UDES*H *REGULAR***

## **FOR GROUP-1, MAY 2024**

- Subject- Income Tax
- Chapter- Heads Of Income – PGBP
- Lecture No.- 07

# Recap of Previous Lecture



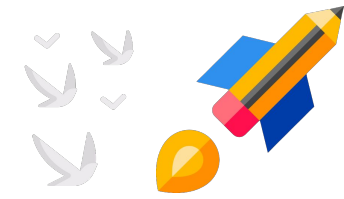
Topic

SECTION 32 - DEPRECIATION

SECTION 35 - SCIENTIFIC RESEARCH

PHYSICS  
WALLAH

# Topics to be Covered



Topic

SCIENTIFIC RESEARCH – SEC 35

SPECIFIED BUSINESS – SEC 35AD

PW P11 11/15

ICAI I11 4/7

# Topic: Additional Depreciation.



TYK 2

			₹
	Op WDV		42.50L
	+ Asset Acquired		
	New P/M (HK)		10.00L ✓
	S/H P/M (FK)		9.00L
	- Sold		-
		Cl. WDV 31/3/24	61.50L
	<u>MD</u>	HK 10L x 7.5%	75000
		FK 51.50L x 15%	772500
	AD	10L x 10%	1,00,000
<u>Compute</u>	MD	2L x 40%	80000
	AD	2L x 20%	40000

## SALE OF SCIENTIFIC RESEARCH ASSET

CASE 1

W/O being put to use for any other purpose in Business

(a) Sale Value  $\leq$  Actual Cost  $\rightarrow$  Sale Value is B. Income

(b) Sale Value  $>$  Actual Cost  $\rightarrow$  Actual cost is B. Income  
Sale Value  $-$   
(-) COA/ICOA  $\frac{(-)}{-}$   
STCL/LTCY  $\rightarrow$   $\frac{-}{-}$

Mach. Purch = 11/4/20 for SR  $\Rightarrow$  ₹ 500000

PY 2020-21 = 5.35 dep allowance = ₹ 500000

WDV of Mach = NIL

Machine sold (a) ₹ 400000  $\Rightarrow$  B. Income

(b) ₹ 6,00,000  $\rightarrow$  5L = B. Income  
1L = Cap. Gain

## CASE 2 After Being put to use for other purposes in Business

Step 1 Add to Block to which it belongs @ MIL VALUE

Step 2 when such Asset (SR Asset) is sold, then sale value is deducted from Block

ie Normal Block of Asset concept is to be followed

- eg
- \* Mr. X purchased Mach for ₹10L on 1/7/21 for SR → FY 21-22 = 10L Dep 5.35
  - \* Mr. X put to use SR Mach for business use on 1/4/23
  - \* On 31/1/24 this Mach is sold for ₹ 300000
  - \* other details :-

Profit before dep (FY 23-24) ₹500000

op wdv of block (1/4/23) ₹7,00,000

Show Tax Implication ⇒ Dep?  
PUNE?

Assume → sale of SR Asset = 9,00,000

	₹
Profit by Dep	5,00,000
(-) Dep	60,000
Profit	<u><u>4,40,000</u></u>

	Block 15%
Op WDV	7,00,000
+ SR Asset	NIL
- SR sold	<u>(3,00,000)</u>
Cl. WDV 31/3/24	<u>4,00,000</u>

$$\text{Dep} = 4,00,000 \times 15\% = 60,000$$

	₹
Profit by Dep	5,00,000
(-) Dep	NIL
Profit	<u>5,00,000</u>

	Block 15%
Op WDV	7,00,000
+ SR Asset	NIL
- SR sold	<u>(7,00,000)</u>
Cl. WDV 31/3/24	<u>NIL</u>

$$\text{Dep} = \text{NIL}$$

Step up 50

SV - Block value

9L - 7L

471

	2,00,000
	<u><u>7,00,000</u></u>

Q9 (A) After Being Put to use in Business

	₹		Block 15%
Profit by dep	40,00,000	Op WDV	60,00,000
(-) Dep	<u>4,05,000</u>	+ SR Asset	NIL
PURP	35,95,000	- SR Sold	<u>33,00,000</u>
		Cl. WDV	<u>27,00,000</u>
		Dep 27L x 15%	405000

(B) w/o Put to use in Business

<u>PURP</u>			Block 15%
Profit by Dep	40,00,000	Op WDV	60,00,000
Sale of SR Asset (Actual Cost)	30,00,000	+ Acq.	-
(-) Dep	<u>(9,00,000)</u>	- Sold	-
	61,00,000	Cl. WDV	<u>60,00,000</u>
		Dep 60L x 15%	9,00,000
<u>VH C/P</u>			
Sale Value	33,00,000		
(-) Act Cost	<u>30,00,000</u>		
	3,00,000		
GTI	<u><u>64,00,000</u></u>		



SECTION 35AD

SPECIFIED BUSINESSES

R. Exp → Dr. to P/L A/c

C. Exp → Dep Dr. to P/L

GENERAL

R. Exp ⇒ P/L

C. Exp ⇒ 100% Dr. to P/L

↳ No Need to claim Dep u/s 32

Except Glw, land, financial Instrument

Payment Made to A Person  
In A Day Exceed ₹10,000  
In Aggregate

Yes

Specified Mode  
otherwise Entire Payment  
Disallowed

No is up to ₹10000  
In Aggregate

Any Mode

NOTE:-

C. Exp Incurred Before  
Commencement of  
Business, shall be  
allowed in year of  
Comm. of Business  
provided such Exp  
Capitalised in B.O.A.

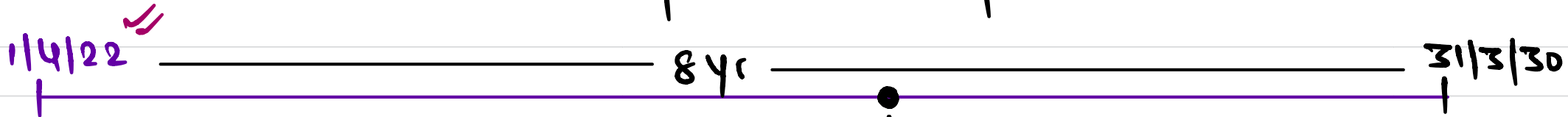
↳ As A Asset Recorder

**Asset** Acquired for Specified Business  $\rightarrow$  100% dep Allow u/s 35AD

$\downarrow$   
use in Specified Business  $\rightarrow$  8 Ay

$\downarrow$   
Otherwise, year in which such Asset is sold or put to use for non-specified business then Business Income shall be calculated as follows:-

$$B. Income = \text{Cost of Asset} - \text{Depreciation}$$



Sp. Business  
P/M Purch

= 100% = allow u/s 35AD

Cost	10,00,000
Dep 22-23	<u>1,50,000</u>
	8,50,000
Dep 23-24	<u>1,27,500</u>
	7,22,500
Dep 24-25	<u>1,08,375</u>
	<u>6,14,125</u>

Dep = 3,85,875

Py 25-26

Business Income  $\Rightarrow$  Cost of Asset - Dep (22-23 to 24-25)

$$\Rightarrow 10L - 385875 \Rightarrow 614125$$

$$\begin{aligned} \text{U/H Cy} \quad \text{U/s 50 Stly} &= \text{SV} - \text{WDV} \\ &= 650000 - 614125 \\ &= 35875 \end{aligned}$$

---

Q13 Default Regime

Profit before Dep

₹  
40,00,000

(-) Dep Mach  $10L \times 15\%$  = 150000

Mach  $6L \times 7.5\%$  = 45000

Building  $4L \times 10\%$  = 40000

Build.  $19L \times 10\%$  = 190000

4,25,000

Profit

3575000

NOTE:- S. 35AD is not available under default regime  
ie Dep is allowed on Cap. Exp

## Old Regime

Profit by: C. exp incurred for sp. business ₹ 40,00,000  
 (-) C. exp incurred except land/GW/FI Profit 39,00,000  
1,00,000

## Q14 Old Regime

### LIARE HOOSIMU

	FY	Sugar	Ed. Old
Profit by: S. 35AD/S. 32	16L	14L	31L
S. 35AD deduction By: Comm. C. exp During FY	(30L) (10L)	(20L) (20L)	- -
S. 32 Depreciation (32L X 10%)	-	-	(3.20L)
<b>Profit</b>	<b>(24L)</b>	<b>(26L)</b>	<b>27.80L</b>

NOTE:- Specified B. loss allowed to be set off only against Profit of Sp. business.

Sp. business loss C/F for unlimited period.

$$\text{Sp. Business loss} = 24L + 26L = 50L = \text{C/F}$$

$$\text{Net Income} = \text{₹}27.80L$$



## 2 mins Summary



Topic

Depreciation / Scientific research.

Topic

Question

PHYSICS  
WALLAH



***Thank You***

