

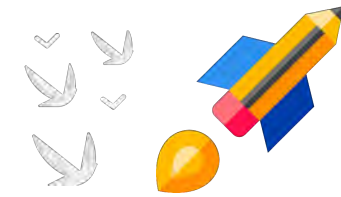


UDESHEREGULAR

FOR GROUP-1, MAY 2024

- Subject- Income Tax
- Chapter- Heads Of Income – PGBP
- Lecture No.-08

Recap of Previous Lecture

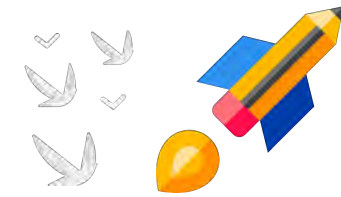


Topic

SECTION 35 - SCIENTIFIC RESEARCH
SECTION 35AD - SPECIFIED BUSINESS

PHYSICS
WALLAH

Topics to be Covered



Topic

- S.35 D PRELIMINARY EXPENDITURE
- S.35AD
- S.36 Expenses Allowed

Topic:



iii4

N. Dep
 $(120\text{L} - 15\text{L}) \times 15\%$

A. Dep
 $85\text{L} \times 20\%$

↓

120L

- 20L SH

- 15L SR

iii7

Profit by. dep up
35AD

₹

25L

(-) Dep up 35AD

Prior to C.O.B 50L

During by 50L

(100L)

(75L)

4-star home Profit

120L

₹

→

45L

Q12 Ill 11

Depr. up 35

Exp. incurred before comm. of Business Allowance during FY 23-24 (ie year in which business is commenced)

Long
Mach.
RM

SR Exp incurred during FY (RM)

Total Depreciation up 35

₹

NA

500000

2,20,000

7,20,000

1,80,000

9,00,000

Sale of Asset furn. for SR

U/H furn

Business Income \Rightarrow Actual cost ie ₹5L

U/H by

$$\begin{aligned} \text{STU} &= \text{SV} - \text{COA} \\ &= 8L - 5L \text{ ie } 3L \end{aligned}$$

Q15

- Asset given for specified business \rightarrow look in $\text{Period} = 8 \text{ yr.}$
- Before 8 yr $\text{sold / put to use for non-specified business}$
- $\text{Deemed Business Income} = \text{Cost of Asset} - \text{Dep}$

Deemed Business Income of Unit A

Cost of Building		50,00,000
(\rightarrow) Dep $\text{PY } 21-22$	10%	<u>5,00,000</u>
		45,00,000
(\rightarrow) Dep $\text{PY } 22-23$	10%	<u>4,50,000</u>
		40,50,000
	Deemed B. Income Unit A	

TOPIC: SECTION 35D PRELIMINARY EXPENDITURE ← old New

* Only Eligible Preliminary Exp is allowed (Read from Book)

* Depreciation is allowed only to Indian Company & to
only Non-corporate Resident Assessee
ie Resident I/HUF/Firm/AOP/BOI

In short dep v/s 35D - Not allowed to Foreign Company
and to NR Assessee.

* Depreciation v/s 35D is allowed in 5 equal installments
commencing from year in which business is commenced

* Depreciation to Indian Company

5% of cost of Project
or
5% of capital employed } Higher
or
Actual Eligible P/E } Lower
↳ 5 Installments

eg. X Ltd Eligible IIE = 1,50,000

Cost of Project = 35,00,000

Cap. Employed = 25,00,000

Deed allowed u/s 35D PY 23-24

5% of W.P. i.e. 35L = 175000

5% of C. Emp i.e. 25L = 125000

Higher = 175000

Actual IIE = 150000

Lower = 150000

÷ 5

Installment = 30000

23-24

24-25

25-26

26-27

27-28

* Deed. to Resident I/HUF/AOP/BOI/FIRM

5% of Cost of Project } Lower → 5 Installment
Actual Eligible IIE }

eg. Mrx X Actual Eligible IIE = 1,80,000
Cost of Project = 35,00,000

Deq v/s 350.

$$\begin{array}{rcl} 5\% \text{ of WOP ic 35L} & = & 1,75,000 \\ \text{Actual Ric} & = & 1,80,000 \\ & \text{Lower} & \underline{1,75,000} \\ & & \div 5 \\ \text{Installment} & & \underline{\underline{35000}} \end{array}$$

iii Deq v/s 350

$$\begin{array}{rcl} \bullet 5\% \text{ of WOP ic 30L} & = & 1,50,000 \\ \bullet 5\% \text{ of C. Exp ic 40L} & = & \underline{2,00,000} \\ & \text{Higher} & 2,00,000 \\ \text{Actual Ric} & & \underline{11,00,000} \\ & \text{Lower} & \underline{2,00,000} \\ & & \div 5 \\ \text{Installment} & & \underline{\underline{40,000}} \end{array}$$

Deq allow Every Yr for 5 Yr = ₹40,000.

Voluntarily Retirement Scheme S. 35 DDA old New

* Exp allowed in 5 Installment commencing from year in which VRs is allowed

Xitf → Incurred ₹ 500 in VRs during fy 23-24.

Def up 35 DDA = $\frac{₹500}{5}$ i.e. 100 23-24
24-25
25-26
26-27
27-28

Remember

Section 36 Other deductions.

Insurance
 ↓
 R. Exp

Stock/Live stock = Premium allowed As def
↳ Payment by Any Mode

Mar. Insurance of EE = Premium allowed As def
↳ Payment Not made in Cash

S. 43(1) Actual cost

S. 35AD Specified Business

Cap Exp

Asset Purch

Payment Mode
To A PERSON
In A Day

upto 10000 = Any Mode

Exceed 10000
in Agg.

Specified
mode

S. 40A(3)

↓

Override other
provisions.

R. Exp

+

Payment to A PERSON

+

In A day

upto 10000 = Any Mode

Exceed. of 10000 = Sp.
In Agg. Mode

Stock Insurance

₹ 10,000 (ASH)
Allowey
As pu. S. 36

₹ 15000 (ASH)
Not allowey
Disallowey As pu
S. 40A(3)

Meat. Insurance - EEs

₹ 10,000 (ASH)
Not allowey
As pu S. 36

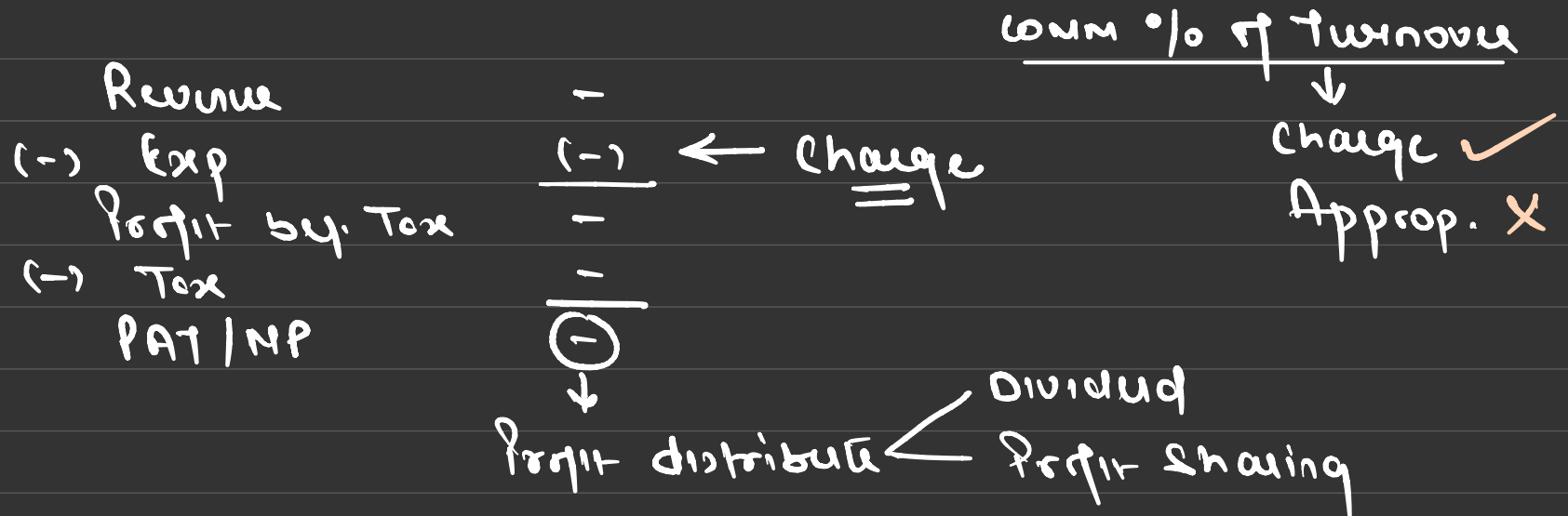
₹ 15000 (ASH)
Not allowey
As pu S. 36.

Bonus \Rightarrow charge \rightarrow allowed u/s 36

\rightarrow Appropriation \Rightarrow Not allowed under Income Tax.

Bonus \Rightarrow ₹ 100000 p.m \Rightarrow Allowed u/s 36.

\rightarrow 1% Profit \Rightarrow Appropriation \Rightarrow Not allowed.



Qy 23-24 \rightarrow RFD = 31/7/24

Bonus payable As on 31/7/24 = ₹ 500000

\swarrow ₹ 3L Payable 30/4/24
 \searrow ₹ 2L = 30/9/24

Deq allowey up 36 for Bonus under Income Tax

As per s.43B, F2L allowey is bonus payed upto RFD

F2L disallowey in FY 23-24

↳ Add back to Profit

To Bonus	₹1L		
	5L		
To NP	4.50L		
		NP	4,50,000
		+ Bonus Not payed upto RFD	
			2,00,000
		Purse →	<u>6,50,000</u>

Loan raised for Business ⇒ Int on loan ⇒ Allowey up 36

↓

Asset purchased ⇒ Int upto date on which Asset is put to use ⇒ Capitalized is Add to Actual cost of Asset

↓
After date of Asset PTO ⇒ Dr. to P/L



2 mins Summary



Topic

S.35D / AD / S.36

Topic

Question

PHYSICS
WALLAH



Thank You

