



UDESHEREGULAR

FOR GROUP-1, MAY 2024

- Subject- Income Tax
- Chapter- Heads Of Income – PGBP
- Lecture No.-1 |

Recap of Previous Lecture

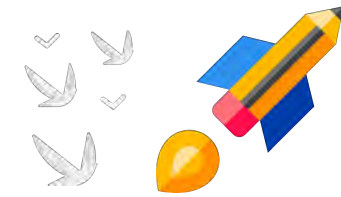


Topic

Section 40 | 40A(2) | 40A(3)

PHYSICS
WALLAH

Topics to be Covered



Topic

Section 40A/43B

Hw eq 43B / III 28 / eq Book for 11

PHYSICS
WALLAH

Topic: Section 40A



eg Ayush Goods Purch on 15/3/2023 for ₹ 1,00,000 On Credit
Payment to be made After 2 months.

fy 2022-23

₹ 1L

100000

To Purch

Ayush Purchases (credit) allowed on due basis.

→ 2023-24

15/5/2023

Ayush Paid ₹ 1L to creditor by crossed cheque

S. 40A(3A) ⇒ ₹ 1L deemed Income u/A R/B.

eg

Monalisa Goods Purch from Devika (Sister of Monalisa)

(a) Goods Purch of ₹9000/- (FMV = 7000) & Payment to Devika In cash of ₹9000 In a single day.
Show Tax Implication

S.40A(2) → Excessive payment to relative is disallowed

₹2000 exc. payment disallow & Exp allow = 7000

(b) Goods Purch of ₹19000 (FMV = 17000) & Payment to Devika In cash of ₹19000 In a single day.
Show Tax Implication

Ans 1

S.40 A(2) = Exc. Paym. to relative = 2000 disallowed

S.40A(3) = Paym. exceed. 10000 through Non-Sp. Mode
shall be disallow = 17000 disallow.

Ans 2

Entire payment of ₹19000 payed In cash shall be disallow.

(1) Goods Purch of 11000/- (FMV = 9000) & Payment to Dwika in cash of 11000 in a single day.
Show Tax Implication

~~S.40A(2) = Exc. Paym. to Relative disallow = 2000.~~

~~S.40A(3) = Not to be Apply \Rightarrow balance exp 9000 paid in cash shall be allowed.~~

S.40A(3) \Rightarrow $\text{₹}11000$ payment in cash is violation of S.40A(3)
Hence entire payment is 11000 shall be disallowed.

Int/Salary Received to **Partner** \Rightarrow **PCRP**
 \hookrightarrow Individual \rightarrow slab \Rightarrow BEL = 2.50L

Int/Salary Paid by **Firm** to Partner = Exp is P/L Dr.
 \hookrightarrow Tax flat = 30%

5.40 (b)

100 = 12%

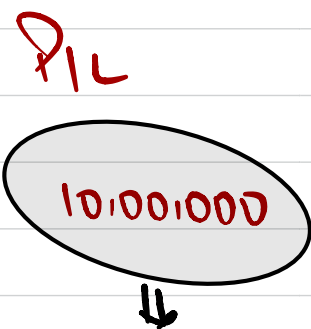
Salary < MWP X

wp ⇒ allowed, subj to Max. of :-

Book Profit upto ₹ 3L ⇒ ₹ 150000
or
90% of BP } HIGHER

Balance Book Profit = 60% of Balance BP

To Partner salary



₹ 10,000 disallow

add back to Profit

Book Profit ⇒ ₹ 15L

3L
↓

150000

or

90% of 3L i.e. 270000

Higher = 270000

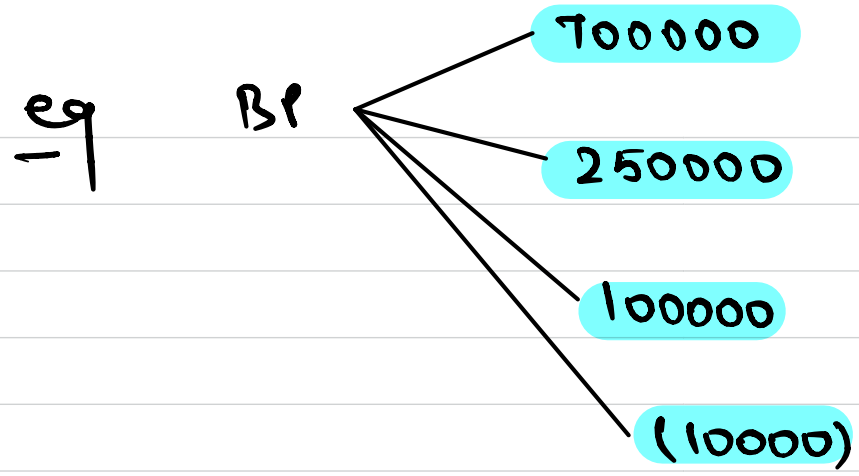
12L

@ 60%

= 720000

Max Salary = ₹ 9,90,000

Total for all working



(a) 700000

First 3L = 150000 or 90% of 3L is 270000
w.e.h is 270000

Bot 4L = 60% of 4L is 240000

} 510000

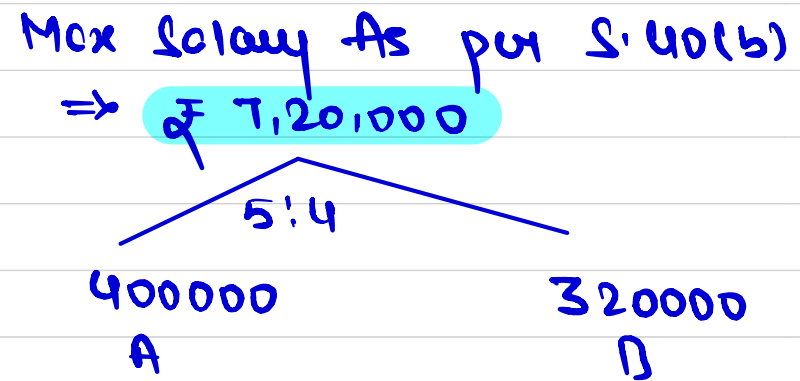
(b) 250000 = 150000 or 90% of 250000 is 225000
w.e.h is 2,25000

(c) 100000 = 150000 or 90% of 100000 is 90,000
w.e.h = 150000

(d) (10,000) = 150000 or 90% of (10,000) is (9000)
= w.e.h is 150000

Note:- Profit received to partner from firm = Exempt

	<u>Firm</u>	
	<u>P/L</u>	
<u>Salary</u>		
A	5,00,000	
B	<u>4,00,000</u>	9,00,000



Firm Disallowance = 1,80,000
Salary to partner allowed = 7,20,000

Taxable salary in hands of partner =

$$A = 400000$$

$$B = 320000$$

Meaning of Book Profit M.M.M.M. Imp

	Net Profit As per Income Tax	—
<u>Add</u>	Salary to Partner	—
	Profit As per I. Tax by. Sal. to Pat.	—
<u>less</u>	BIF Dep	—
	Book Profit	→ —

eg Profit After debiting following exp ₹ 6,00,000

- IOC to Partner @ 15% 1,50,000
- Salary to Partners 9,00,000
- Commission payee w/o dep T.D.'s O/s India 1,00,000
- Cash paym^t for purch In a single day 50,000

Note U/A Dep for last Yr = 1,90,000
BIF loss for last FY = 50,000

Calculate Max. Salary allowed to Partner & also calculate Income v/t rate

Solution

Calculation of Book Profit

Profit		6,00,000
<u>Add</u>	Excess I.O.C to Partner $\frac{1,50,000}{15\%} \times 3\%$	30,000
<u>Add</u>	Salary to Partner	9,00,000
<u>Add</u>	Comm. Pay of India w/o T.D's S.40(b)(1)	1,00,000
<u>Add</u>	Cash Payment for PNH S.40A(3)	50,000
	Profit by Salary to Partner	16,80,000
<u>less</u>	B/F Dep	1,90,000
	Book Profit	14,90,000

Max Salary As per S.40(b) =

$$\begin{aligned} \text{first 3L} &= 150,000 \text{ or } 90\% \text{ of 3L w/eH i.e. } 270,000 \\ \text{ball } 11.90L & @ 60\% &= 714,000 \end{aligned}$$

Max Salary \longrightarrow **9,84,000**

Salary payed by firm to Partner = 9L
 Max. allowed As per 40(b) = 9.84L } No disallowance
 Salary Allow = ₹ 9L.

* Calculation of Income v/h P&BP

Profit	6,00,000	
+ 10% Excess 3%	30,000	Disall. exp
+ Comm o/s India w/o TDS	1,00,000	
+ Cash paym. for purch	50,000	
	<u>7,80,000</u>	
(-) BIF Dep	1,90,000	
(-) BIF loss	50,000	
	<u><u>5,40,000</u></u>	
	P&BP →	

Short cut

Book Profit	14,90,000
(-) Salary to Partner	(9,00,000)
(-) BIF loss	(50,000)
P&BP →	<u><u>5,40,000</u></u>

eg Profit After debiting following exp ₹ 5,40,000

- hw:
- IOC 14% to Partner ₹ 2,80,000
 - Salary to Partner ₹ 9,90,000
 - Salary to KE payee In India w/o TDS ₹ 2,00,000
 - Printing & Stationery exp ₹ 1,90,000
- ↳ (Payment Made to Brother In law FMY = 1,50,000)

- Calculate
- Book Profit
 - Salary allowed to Partner
 - Income v/n P/BP

S. 36 ER cont to App. CF / App SAF = allowed

ER cont to unopp CF / unopp SAF = **Not allowed**

↓
40A(7)

↓
40A(9)

21-22

22-23

23-24

Partn 25K
To Ucy. 25K

X

↓
PW = CA-found. Result
(25/30)

Partn
To Partn 25K.

liability 25K
waive Pt.

Partn
liab. waive 25K
Pt

Sp. exp notified up to 43B

↳ Deq allowec in PY In which exp is incurred provided exp paid upto RFD.

If exp paid After RFD \Rightarrow exp allow in the year of payment

RFD = 31/7/24

MT Dr. to P/L PY 23-24

₹ 10,000

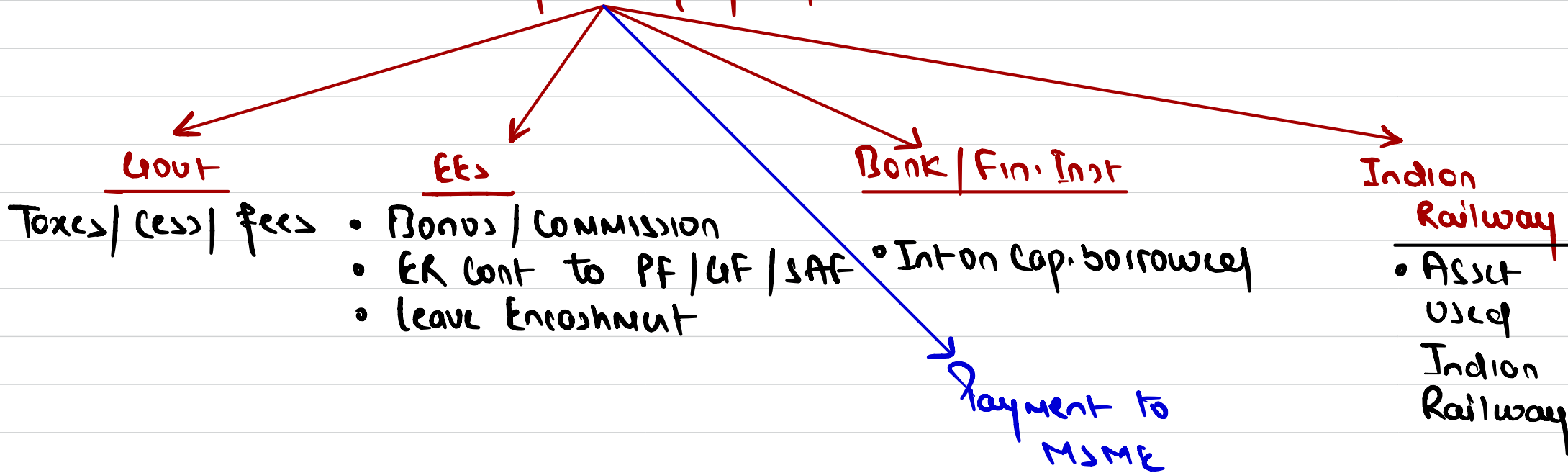
→ 6000 paid on 1/7/24

→ 4000 paid on 1/12/24

PY 23-24 = 4000 disallowance i.e. Amt paid After RFD

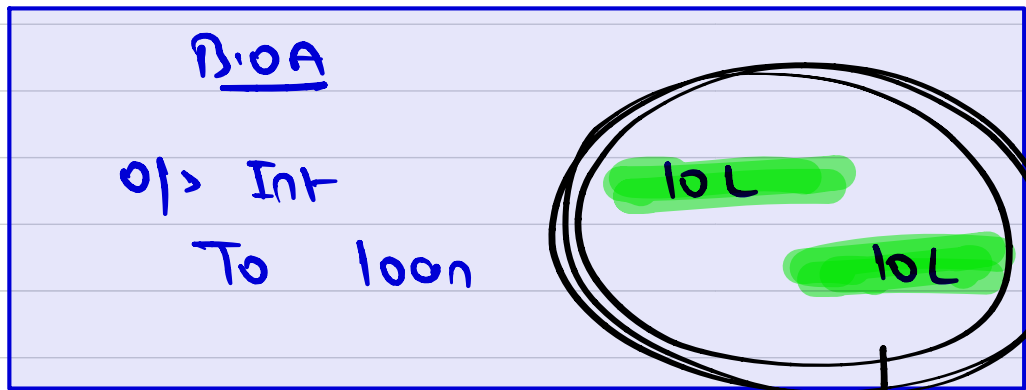
↓
Allowec in year of payment i.e. PY 24-25

Exp Monthly up 43B



B.O.B loan

↳ ops Int As on 31/3/24 ⇒ 10L



Restructuring

↳ Convert into New loan on 15/5/24

Not considered as payment for purpose of 2.43B

2 Installment pay = 50000 each = 100000



2 mins Summary



Topic

Topic

Question

PHYSICS
WALLAH



Thank You

