

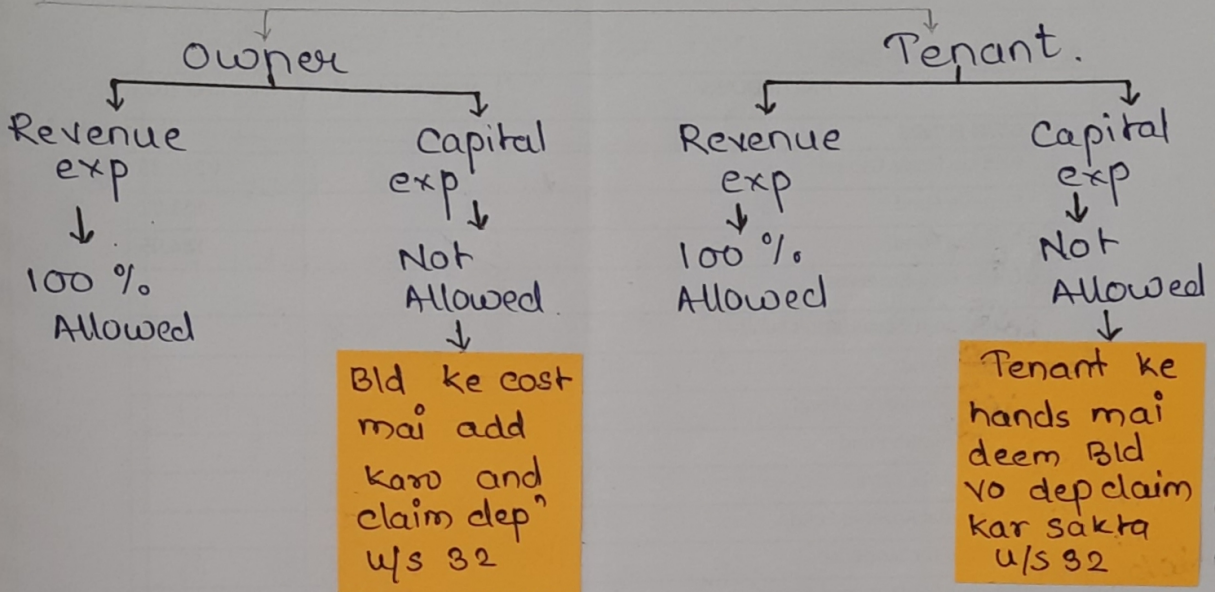
PGBP.

* Consider yourself as Businessman
* Remember P&L A/c Dr - exp
Cr - Income

Sec 29: How to compute PGBP. Inc
- Follow the provisions of sec

Sec 30: Rent, Rate, Taxes, Repairs, Insurance of Building.
and

Sec 31: Insurance & Repair of Plant & Machinery and furniture.



Sec 32: Depreciation

- * Asset use for business
- * Beneficial owner
- * lease → lessor
- * Hire purchase → Assessee can claim Dep. from Beginning
- * Partially owned → part Dep. can be claim



Rate of depreciation

Sr.no	Assets	Rate
1.	Building (includes roads, wells and tubewells) <ul style="list-style-type: none"> i. Residential use (except hotel) 5% ii. other use 10% iii. Temporary or wooden structure 40% 	
2.	furniture & fittings (include electrical fittings like fan, wires switches etc)	10%
3.	Plant & Machinery. <ul style="list-style-type: none"> i. Motor Vehicles <ul style="list-style-type: none"> - Acquired & put to use between 23.08.19 to 31.03.20 15% 30% ii Motor Vehicles (Lorries, buses, Taxi) <ul style="list-style-type: none"> - Acquired & put to use between 23.08.19 to 31.03.20 30% 45% iii. ships, vessels, speed Boats 20% iv. Aeroplanes, Aeroengines 40% v. computers & computer software 40% vi. Books (include annual publication or used in libraries) 40% vii. Pollution Control Equipments 40% viii. windmills & its equipments <ul style="list-style-type: none"> installed before 01/04/14 15% - windmills & its equipment installed after 01/04/14 40% ix. Renewable Energy Devices (include E-vehicles) 40% 	

	x oil wells	15%
	xi other P & M	15%
4.	Intangible Assets	25%

Note:

* All Assessee need to follow WDV method of Depreciation
except Business of generation or generation and distribution of Power can opt for SLM or WDV

System of Depreciation



Block of Asset =
 Same Rate + same class

Calculation of depreciation

→
 Table.



Particulars	Amounts
opening WDV of block	xx
Add: Actual cost of asset acquired during PY	
→ Put to use 180 days or more	xx
→ Put to use less than 180 days	xx
→ Acquired but not put to use	xx
	xx
less: Money payable (SP of asset)	(x)
less: WDV of asset ToF inslump sale (compute WDV of asset assuming this is only asset in block)	(x)
WDV of Block for purpose of Dep.	xx
less: Depreciation Actually Allowed	(x)
Closing WDV of Block	xx

Sale of Asset / Block of Asset.

- Depreciation can only be claim when you have both
 - Asset
 - WDV

→ whenever you sell depreciable asset it always amt to short Term gain/loss.

→ part of Asset / Block of Asset is sold

- if $SP > op\ WDV + Purchase/Actual\ cost$
No Dep can be claim.
- if $SP < op\ WDV + Purchase/Actual\ cost$
Dep can be claim.

Block can be Nil
but never negative

while calculating
Actual cost/Purchase
IITC is not available.

Sec 32(1)(iia): Additional Depreciation

→ can only be claim by

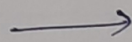
- Manufacture
- generation of Power
- generation and Transmission

→ only on Plant & Machinery, **excluding**

- × second hand
- × P&M installed in office premises or residential accomodation.
- × ship, aircraft and Transport vehicles
- × which 100% deduction is allowed

→ only when WDV method is followed.

Asset partly use for business and partly for personal



Proportionate depreciation will be charge.

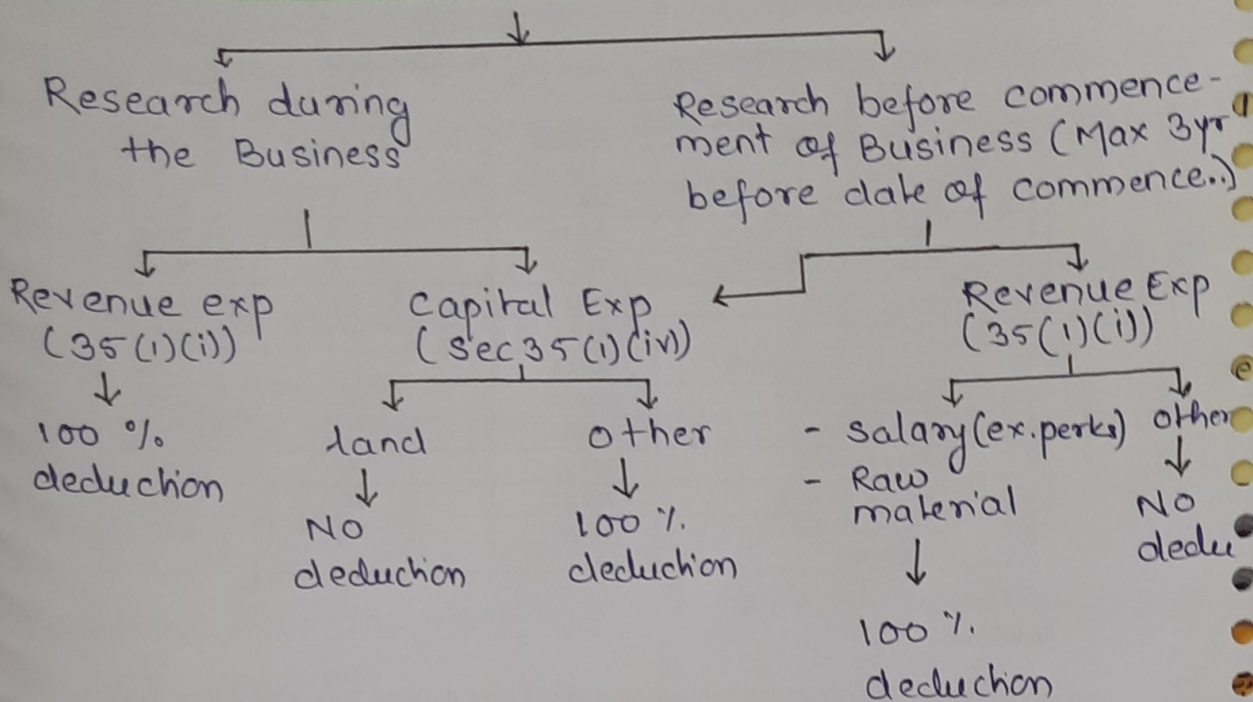
Sec 32(2) unabsorbed depreciation

→ can be carry forward for unlimited Period

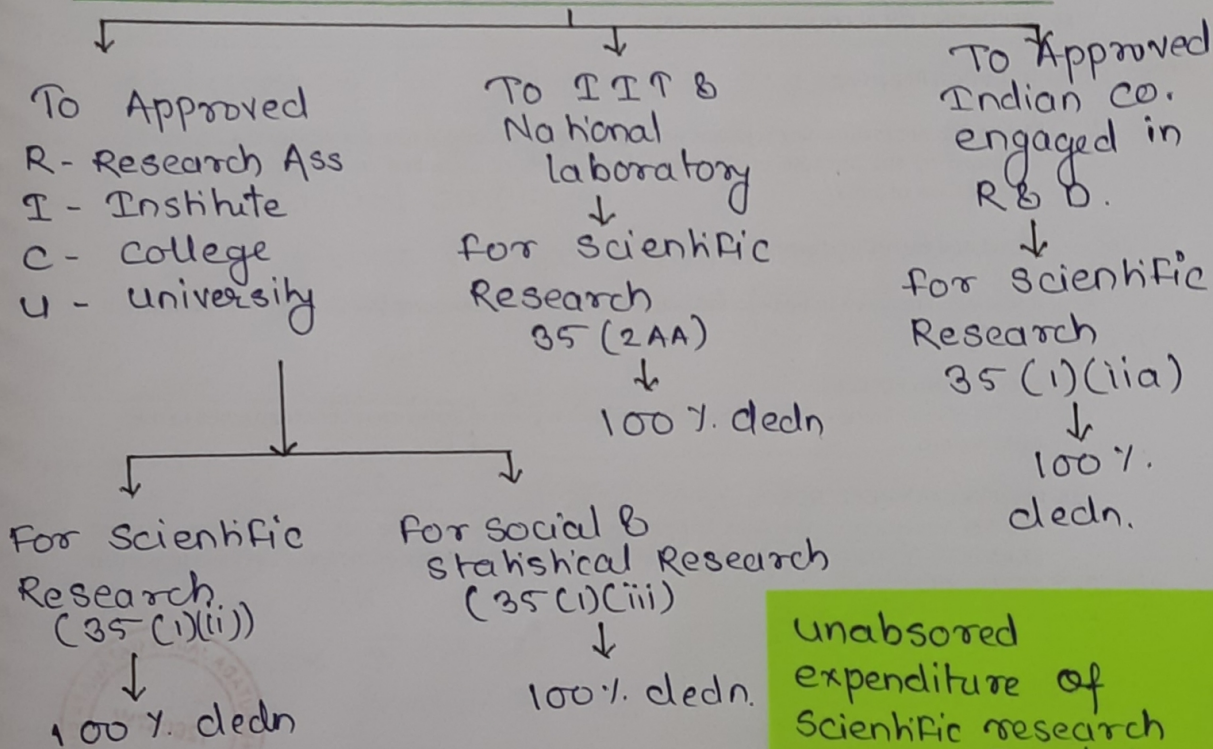
→ can be set off against income from any head except salary.

Sec 35 - Scientific Research.

Part A: Inhouse Research.



Part B: Donation/contribution to outsiders



Unabsorbed expenditure of Scientific research will be treated same as unabsorbed depreciation

Sec 35 D - preliminary exp.

→ Deduction allowed to Resident Assessee who incurs preliminary exp before commencement of business or after commencement for extension or for setting up a new unit.

→ Amt of deduction

COP/CE,
whichever is Higher

Indian company

- i. Actual preliminary exp
- ii. 5% COP/CE*
whichever is lower

Other Resident

- i. Actual preliminary exp
- ii. 5% COP
whichever is lower

1. Preparation of feasibility study / project report.
2. Market survey.
3. Engineering service
4. Drafting & printing of MOA/AOA.
5. Legal fees.
6. Expenses related to Public issue of shares & Debenture
7. Other expense may be notified by CBDT.

Note

- deduction is allowed in 5 equal installments
- COP = Cost of project
- CE = Capital employed.

(share Capital + debenture + long term borrowing for new project or extension or set up new unit as per books as on last day of PY)

Sec 35 DDA - Expenditure on Voluntary Retirement Scheme

- Assessee : All
- Deduction : 5 equal installments

Note: 35 D & 35 DDA:
If there is Amalgamation / Demerger, then remaining deduction shall be allowed to Resulting company.

• Sec 35 AD : Sep Specific Business

under the section @100% deduction is allowed for capital expenses and section is optional for assessee.

Sr. Business

1. Setting up and operating a cold chain facility.
 2. Setting up and operating a warehouse facility for agricultural produce.
 3. Laying and operating cross country pipeline for distribution of petroleum, oil, natural gas.
 4. Building and operating a hotel 2-star and above.
 5. Building and operating a hospital with minimum 100 patients beds.
 6. Developing and building a house project under slump development scheme.
 7. Developing and building a housing project under affordable housing scheme.
 8. Production of fertilisers in India.
 9. Setting up and operating inland container depot or container freight station.
 10. Bee Keeping and production of bee's honey and wax.
 11. Setting up and operating a warehouse facility for sugar.
-

12. Laying and operating a slurry pipeline for Transportation of iron ore.
13. Setting up and operating a semi-conductor wafer fabrication manufacturing unit.
14. Developing or maintaining and operating or developing, maintain and operating a new infrastructure facility.

Note :

1. Plant & Machinery must be new.
exception - i. 20% of total plant & Machinery can be old.
 ii. Imported old Machinery ~~can~~ shall be considered new.
2. Depreciation not allowed if deduction claim u/s 35AD.
3. If asset (on which deduction claimed u/s 35AD) sold, then entire sale price shall be Taxable as PGBP.
4. Asset should only be used for specified business for minimum 8 yr. from acquisition. If used for non-specified business within 8 yr. then following shall be Taxable under PGBP.

∴ Amount of deduction claimed u/s 35 AD earlier	xx
(-) depreciation that would have been allowed if 35 AD no there	<u>(xx)</u>
PGBP.	xx

5. If asset is Transferred from specified business to non-specified business within 8 yr then Actual cost shall be :-

Cost of such Asset	xx
(-) depreciation allowable if such asset used for non-specified business from acquisition	(xx)
Actual cost	xx

Sec 36 : Certain deduction

Sec 36(1)(i) - Premium for insurance stock in Trade

- Allowed.

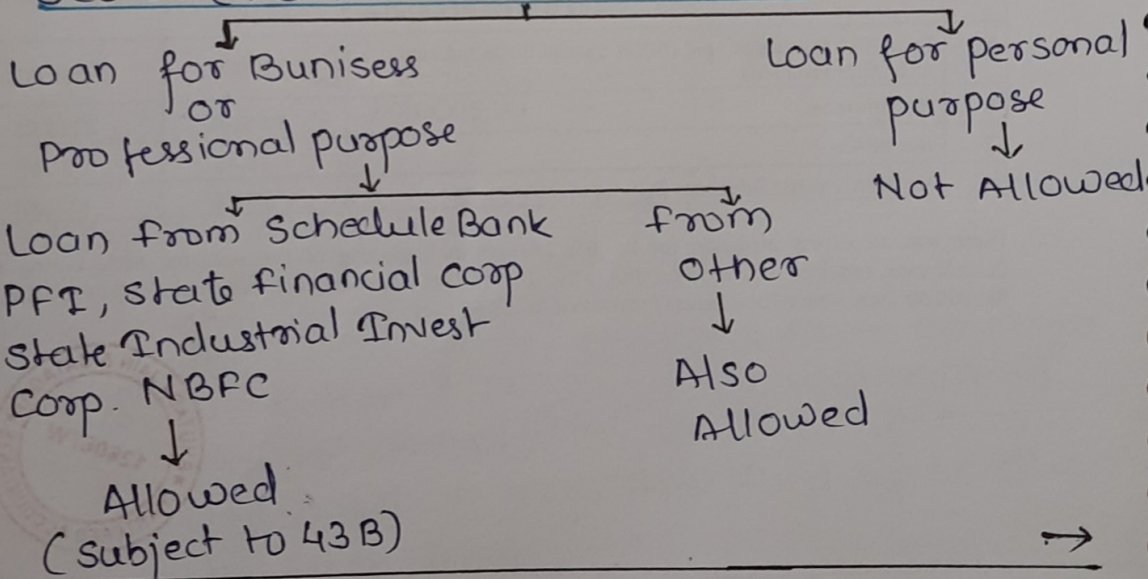
Sec 36(1)(ib) - Health insurance premium for employees

- Allowed, any mode other than cash.

Sec 36(1)(ii) - Bonus or Commission to employee

- Allowed.

Sec 36(1)(iii) - Interest on loan.



Sec 36(1)(iia): Discount on Zero Coupon Bonds

- discount shall be amortized over the life of ZCB.

Sec 36(1)(iv)/(v): Employer's Contribution for Benefit of Employee

- Statutory Provident F.
- Recognized Provident F.
- Approved super annuation F.
- Approved gratuity F.
- Any other fund as per law

↓
Allowed
(Subject to 43B)

- unrecognized PF
- unapproved PF
- unapproved g.f.
- Any other fund

↓
Not Allowed

Sec 36(1)(iva): Employer contribution towards

pension scheme referred up to CCD

- Deduction allowed to employer (subject to 43B)
 - Actual contribution
 - 10% of salary (Basic + DA (Terms)) whichever is lower.

Sec 36(1)(va): Employees contribution towards welfare fund.

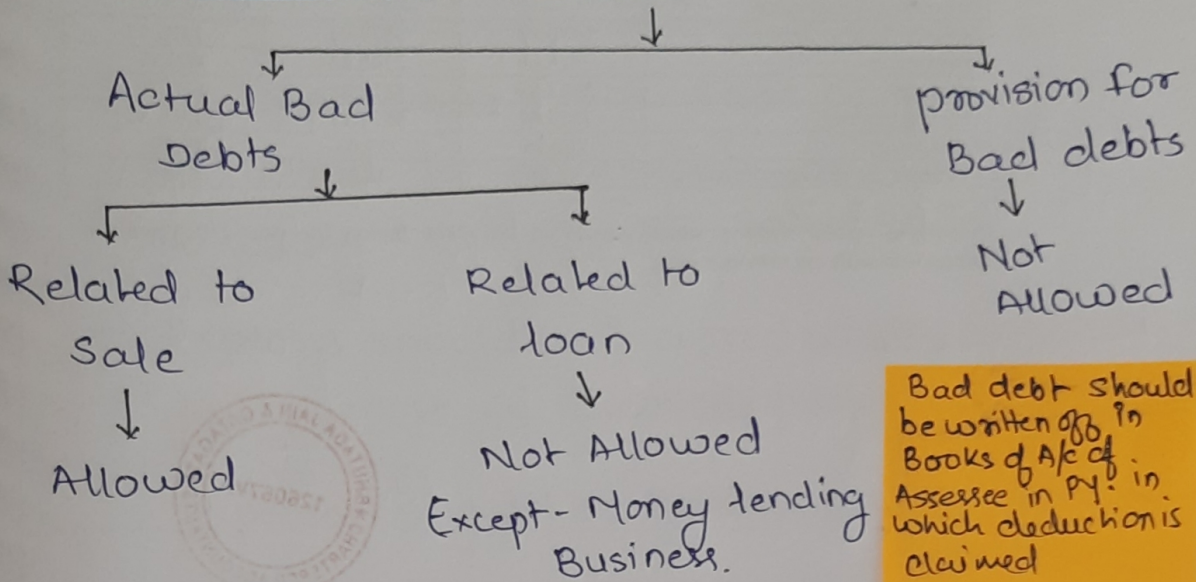
- Any sum received by employer from employee as contribution to PF, super annuation fund, ESI etc is deemed to be PCB if sum is not deposited in respective fund up to due date, to such fund.

Sec 36(1)(vi) : Animal used in Business
(Other than SIT)

- Deduction is allowed in year in which such animal become permanently useless or died

$$\text{Deduction} = \text{Cost of animal} - \text{scrap value.}$$

Sec 36(1)(vii) : Bad debts.



Sec 41(4) : Bad debts Recovery.

- where deduction has been allowed in respect of bad debts, recovery shall be Taxable as PGBP in the year of recovery.

Sec 36(1)(ix) : Expenses on promotion of Family Planning of employees.

Assessee: only company.

Revenue exp: 100% deduction allowed.

Capital exp: Allowed in 5 equal Instalment.

Sec 36(1)(xv)/(xvi): Securities Transaction Tax / Commodities Transaction Tax (STT/CTT)

- IT is allowed as deduction if assessee held share/units/commodities as stock-in-Trade

Sec 37: General Deduction.

→ Any expenditure (other than covered up 30 to 36) shall be allowed as deduction if following condition are satisfied:

- Expenses should be incurred **wholly or Exclusively** for purpose of **Business/profession.**
- Expenses should be **Revenue in nature**
- Expense should be **legal.**

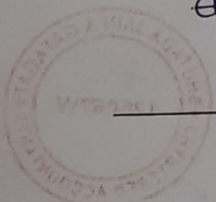
Sec 40: Amt specifically Not deductible

Dividend = not Allowed
D. Tax = not Allowed
Penalty = not allowed

Sec 40(a)(i): Amount not deductible

(in case of NR)

- 100% of payment which is taxable in India made outside India or in India to NCR or to foreign co, on which either
 - TDS has not been deducted
 - TDS deducted but not to govt upto to due date of return filing.
- ~~then 30% of sum shall not be allowed as deduction in current py.~~



Sec 40(a)(ia) : Payment made to Resident.

Any amount paid or credited to Resident & if :

- TDS has not been deducted in PY or.
 - TDS deducted but not paid to govt upto due date of return filing.
- then 30% of such sum shall not be allowed as deduction in C.PY.

Exception to Sec 40(a)(i) & 40(a)(ia)

If any amount paid/credited to payee without deduction of TDS but such payee.

- Furnish his ROI
- Take into account such amount in total income
- Has paid the Tax due on such income
- Certificate from CA. → deemed that payer has deducted TDS

Sec 40(a)(iii) TDS on salary payable outside India or NR

TDS has not been deducted or after deduction has not been paid before due date of return filing u/s 139(1)

↓
100% disallowed, and forever disallowed

↳ even after subsequent payment of TDS deduction not allowed.

→

Sec 40A(3) : Cash payment > 10,000 to single person in single day

In case of Transporter, Limit is ₹ 35,000

Exception

- payment to SRBI/SBI/co-operative Bank
- Payment to government.
- payment made to purchase agriculture produce.

Sec 40A(7) : provision for Gratuity

- Not Allowed.

Sec 43B : Expenses allowed on payment Basis.

Certain deduction to be allowed if Actual payment done on or before due date of filling return u/s 139(1)

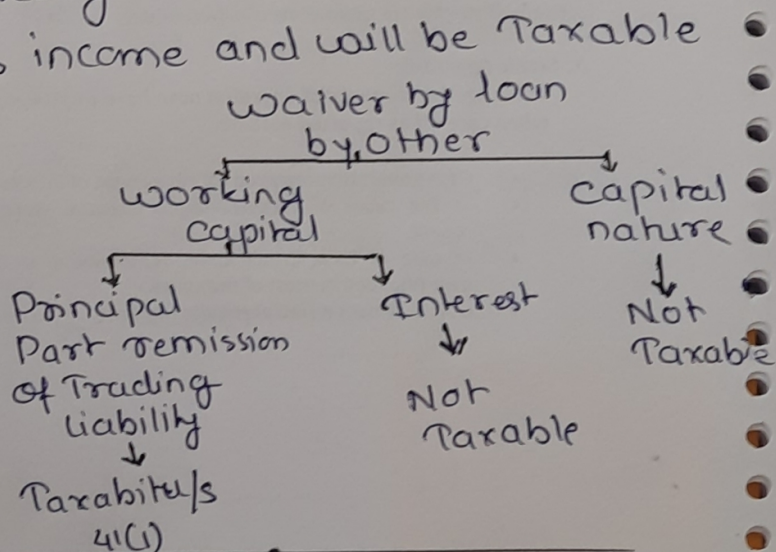
Eg: Tax, duty, cess, fees, interest, Bonus, Commission in PF etc

Sec 41 : Deemed PQBP.

Sec 41(1) : Recovery against any deduction already claimed.

- Treated as income and will be Taxable

wavier of loan by govt
↓
it is included in the definition of income u/s 2(4) (xviii)
↓
Always Taxable



Sec 41(3) : Sale of Scientific Research Asset.

→ Sale without use of Business

- ↓
- i. Sale price
 - ii. Deduction already claimed u/s 35(1)(iv)
- whichever is lower

↓
Taxable as PQBP

If $SP > \text{cost}$ then Capital gain also arise

→ Sale after use in Business

- a. Add to Block of Asset Actual cost = Nil.
- b. at the time of Sale Sec 50 will apply (Full block / part block).

Sec ~~44~~ 44 AB - Compulsory Audit of Books of Accounts.

Specific profession

= GR > 50 Lacs

Business

= TO / GR > ₹ 1 crore

In case of business TO Limit shall be ₹ 10 cr. instead of ₹ 1 cr, if.

- i. Cash receipts out of total receipts is upto 5% during the PY and.
- ii. Cash payment out of total payment is upto 5% during the PY.

Special Cases.

- Assessee claiming lower income u/s 44 AD or 44 ADA and $\text{NTT} > \text{Basic exemption}$.
- Assessee claiming lower income u/s 44 AE.

Penalty if fail.
i. 0.5% of TO or GR
↓
ii ₹ 1,50,000 lower.

Sec 44 AD : presumption Taxation for Business or non-specified professional

Eligible Assessee : (Resident) → # Individual
→ HUF
→ firm (LLP)

Turnover → upto 2 crore
Cash received exceed 5% of
Turnover → 3 crore.

Deemed PQBP income → 8% T/O
→ 6% T/O (if

payment received
through sp. mode upto
due date of filing ROI

Set off of losses → Allowed.

Deduction u/s VI-A → Allowed

Lock in period → 5 yr.

Sec 44ADA : Presumption Taxation for S. profession

Eligible Assessee : (Resident) → Individual
→ firm

Turnover → 50 lakh

— Cash received exceed 5% of
Turnover → 75 lakhs.

Deemed PQBP income → 50% of T/O.

Set off of losses → Allowed

Deduction u/s VI-A → Allowed

No lock in period.

Sec 44 AE : profit & gains of Transport on Presumption Basis.

- Any Assessee who owns **not more than 10 goods carriage** during the P.Y.
- Heavy goods vehicle = **1000 per ton**, per vehicle, Per month or part of m.
 - ↓
 - Gross weight > 12000 kg.**
- **Other than Heavy goods vehicle = 7500 per month** or part of month Per vehicle.

Sec 40(b) : Payment of Interest, Bonus, Commission or Remuneration Partnership Firm

	Working P.	Non Working P.
Salary Bonus comm ⁿ etc	Allowed in hands of firm	100% disallowed in hands of firm
Int on Capital	Allowed upto 12% pa.	Allowed upto 12% pa

Limit of Deduction u/s 40(b) = • first 300000 BP.
 ↓
 a. BP x 90%
 b. ₹ 150000 Higher

• Balance Book profit = 60% of Book profit

Book profit =
 NP if under P&BP xx
 - Cy + b/f dep xx
 xx
 + Remuneration (if not to P&B) xx
 (A/c)
 Book Profit xx