# PGBP

(I)
- ✓ section 28 - Charging section of PGBP
- ✓ section 29 - computation of PGBP

★ section 30 to 37 - Deductions / Expenses allowed under PGBP

(II)
- Section 30 - Rent, rates, repair, insurance of Building
- section 31 - Repairs & Insurance of P&M or Furniture
- section 32 - Depreciation
  - Additional Depreciation
  - Apportionment of Depreciation
  - unabsorbed depreciation
  - Depreciation in case of Power Gen. Units.
- Section 35 - Scientific Research
- section 35 AD - Specified Business.
- section 35 D - Preliminary Expenses
- section 35 DDA - VRS Expenses
- section 36 - other deductions
- section 37 - General deductions
- section 38 -

★ Deductions not allowed

(III)
- section 40(a) - Deductions not allowed in hands of assessee
- section 40(b) - Deductions not allowable in case of partnership firms or LLPs.
- section 40 A(2) - Payment to Related Party.
- section 40 A(3) - Payment in cash over ₹10,000
- section 43 B - Expenses allowed only on actual payment.

(IV) * Other Misc Sections :

section 41 - Deemed Business Income
section 43(1) - Actual Cost

section 44AA - compulsory maintenance of accounts
section 44AB - Audit of accounts of certain persons carrying on business / profession.

(V) * Presumptive Income

section 44AD -
section 44 ADA
section 44 AE

(VI) * Computation of Business Income in case of partly agricultural & partly business income.

section (28) chargeability.

1. Income from any B/P carried by the assessee @ anytime during P.Y.

↓ evenif carried for 1 day

2. Gifts / Perquisites (cash / kind) received during the course of B/P

3. Compensation Received

   ① → by person who is controlling whole affairs of an Indian Company. / affairs in India for any other Co. in relation to termination / modification of employment contract.

   ② → for termination of agency.

4. Non competing fees or non-sharing fees.

   ↳ knowhow, patent, copyright trademark, licence, franchise etc.

5. Interest, salary, bonus, commission or remuneration

   ↳ received by partner of a firm

   ↳ ✗ allowed dedn u/s 40(b) in computation of the income of Firm

6. [ share income of a partner — exempt u/s 10(2A) in total income of firm ]

6. Keymann Insurance Policy

   → Employer [Business] - PGBP

   → Employee - Salary

   → other person - IFOS

7. Incentives received / receivable by assessee carrying on export business :

- ① cash assistance
- ② Customs duty / excise re-paid as drawback
- ③ Profit on sale of license granted
- ④ Profit on transfer of Duty Entitlement Pass Book Scheme / Duty Free replenishment certificate.

8. Conversion of stockintrade → Capital asset

FMV of SIT on date of conversion
↳ taxable as business income.

9. capital asset u/s 35AD

Sum received (cash / kind) on account of C·A u/s 35AD
[ whole expenditure allowed as deduction u/s 35AD]

being
- demolished
- destroyed
- discarded
- transferred

10. Specific services performed for its members by a trade, professional or business.

# section (29) Computation of PGBP

| | | | |
|---|---|---|---|
| step 1 | | Net profit as per P&L a/c | xxx |
| step 2 | Add: | Expenses debited to P/L a/c but not allowed in PGBP | xx |
| Step 3 | Less: | Income credited to P&L a/c but covered under other head / exempt. | (xx) |
| Step 4 | Add: | Income covered u/s 28 or 41 but not credited to P&L a/c | xx |
| | Less: | Expenses allowed u/s 30 to 37 but not debited to P&L a/c | (xx) |
| | | PGBP Income. | xxx |

II Deductions allowed under PGBP

## Section 30 : Rent, Repairs, Insurance, Rates & Taxes of Buildings

- Bldg → used in B/P
  [if used for other purposes : allow proportionate deductions only]
- Notional rent X allowed
- Expn — X in capital nature.

Note: Computation of PGBP income is as per the method of accounting employed by the assessee.

Assessee follows: Mercantile system

All Income & Expenses should be taken on Accrual Basis.

Assessee follows: Cash basis

All income & expenses received & paid in the year.

## Section 31 : Rent, Repairs & Insurance of Plant, Machinery or furniture.

- Repairs → revenue nature ✓
- Rent → X allowed u/s 31
  → but allowed u/s 37

## Section 32 : Depreciation

- **WDV method** — in Income tax — exception:
  X other methods
  Power generating units only SLM method allowed

- charge depreciation on block of assets.

- Assets
  - Tangible Assets
    1. Bldg — general 10% | Residential 5% | Temporary 40%
    2. P&M — 15% | Hire Pur 30% | Computer Book 40%
    3. Furniture & Fittings 10%
    4. Electrical fittings
  - Intangible Assets → 25%
    1. copyrights.
    2. Patent
    3. Trade mark
    4. Know how.
    ~~goodwill~~ — no depn allowed

- Computation of Depreciation :

| | |
|---|---|
| WDV of the block @ beginning of the year [ 1 Apr 2023 ] | xxx |
| Add: Additions / acquisitions during the year | xxx |
| Less: Money received on sale / disposal | (xxx) |
| WDV @ the end for charging depreciation | xxx |
| Depreciation u/s 32 | xx |
| WDV of the block for next year | xxx |

Remember:
There is no effect for WDV of asset sold. Always take sale proceeds value.

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## Additions ★★

**Purchased & in the year of purchase it is PUT TO USE < 180 days** ⇒ half depreciation

**Purchased & in the year of purchase it is put to use > 180 days** ⇒ full depreciation

- Apportionment of depreciation u/s 32

eg: Co. → Old (Predecessor) → eg: LLP → New (Successor)

Date of conversion / restructuring

Step ①: First calculate depreciation as if there is no such conversion.

Step ②: Depreciation must be apportioned between P & S in ratio of number of days used by them.

Note: If any asset is purchased and used by successor Then such depreciation should not be apportioned and must be provided to successor only.

Power Generating units

- Co. engaged in power generation only — SLM ✓
  or
- Co. engaged in generation & distribution of power — SLM ✓
  or
- Co. engaged in distribution only — SLM ✗

- By default — depn method : SLM (on Individual assets)

- Option to choose WDV method (block wise)
  - made while filing 1st ROI and shall continue the selection for subsequent AYs.

- Sale of Power generating units asset — SLM Basis

cost 10 lakh
depn SLM 1 lakh
used for 3 yrs.
∴ 10 lakh
(−) 3 lakh
7 lakh
WDV @ 3rd yr

If sold for 5 lakh — Sold for ₹ 15 lakh then — 3 lakh — 5 lakh

If sold for 5 lakh then Terminal Depreciation u/s 32. [₹ 2 lakh]

WDV (₹ 7 lakh)

PGBP Income = 3 lakh

ORIGINAL COST (₹ 10 lakhs)

ie, more than cost ₹ 10 lakh

5 lakh ⇓ Capital Gain

## Additional Depreciation → ✗ for default tax regime

- only under optional scheme
  - allowed only for
    - Manufacturing businesses /
    - Power generating business.

- 20% of Actual cost

  [ For assets used less than 180 days 10% & remaining 10% in next year ]

- Conditions :
  - → Allowed only for NEW P&M. [ ✗ Vehicles ✗ Ships ✗ Aircraft ]
  - → Use in factory [ ✗ in office premises ✗ in residential accomodation ✗ in guest house ]
  - → P&M used . b4 its installation by assesse within / o/s India } ~~additional depn.~~
  - → Any assets where 100% depn already claimed in 1st year ⇒ ~~additional depn~~

# section 35 : Scientific Research

**In-house Research**

- ✓ related to business
- ✓ 100% deduction

[ Revenue Expenditure + Capital Expenditure ]
↓
except Land ✗

- ✓ Expenditure incurred within 3 yrs immediately preceding commencement of business ⇒ allowed ✓

(1) Revenue Expendenture on payment of salary to Research personnel engaged in SR related to business
(+)
Revenue Expenditure on purchase of material inputs for SR

(2) Capital Expenditure (except expenditure incurred on acq. of land)

- ✓ Capital expenditure which cannot be absorbed can be carried forward to immediately succeeding py

✓ Note: No depn allowable on any capital asset

**Outside Research**

- ✓ can be unrelated to business
- ✓ only for optional tax regime ✓
- ✓ 100% deduction
- ✓ Paid to:

1. Notified approved research association, university, college or other institution. 35(1)(ii)
2. Approved Indian Company for SR. 35(1)(iia)
3. Approved notified research association, university, college or other institution to be used for research in social science / statistical research 35(1)(iii)
4. National Laboratory / IIT 35(2AA)

Note: Subsequent to payment of such sum by assessee, the approval granted to any of aforesaid entities withdrawn, it will not affect deduction.

# Sale of capital asset used for Scientific Research

Direct sale without using in normal business

WDV NIL

Actual cost of capital asset

Capital gain u/s 50A.

PGBP Income 41(3)

Sale after using in normal business

Normal treatment as part of block is sold

[ trf to block @ NIL value ]

## section 35 AD : 'Investment linked tax incentives' for specified businesses

✗ New tax regime

100% deduction is allowed on capital expenditure [except land, goodwill, and financial instruments]

**Specified Business** (14 businesses)

35 AD ✓

AMT 115JC ✓

1. cross country natural gas pipeline
2. cold chain facility / cold storage
3. Warehouse for agricultural produce
4. warehousing for sugar storage
5. Bee keeping
6. Iron-ore slurry pipeline
7. semiconductor wafer fabrication
8. New infrastructure facility
9. Inland container depot / custom freight station
10. Hotel 2 star / above
11. Hospital - 100 beds or more
12. slum housing redevelopment
13. Affordable housing scheme
14. Production of fertilizer.

Notes:

- ✓ 35 AD ✗ 32 ✗ 10AA ✗ chapter VI-A (Part-C)
- Expenditure b4 commencement allowed (if capitalized in BOA)
- Payment in cash allowed only upto ₹10,000
- 35 AD Losses $\xrightarrow[\text{setoff}]{\text{only}}$ 35 AD Income

35 AD Income ← Other losses.

Conditions to be satisfied :

1. Above business must be started as a new one.
   × setup by split up , × reconstruction

2. × setup by trf to specified business of P&M previously used for any purpose.

( Total value of P&M } atleast 80% must be new .

P&M used o/s India } Imported are treated as new if :

→ such P&M was not @ anytime used in India

→ no deduction on account of depn allowed to any person @ time prior to date of installation by assessee .

Section 35 AD Assets

| trf to Normal business b4 8 years | trf to Normal business after 8 yrs | Sold such assets |
|---|---|---|
| deduction allowed earlier treated as deemed business Income u/s 28 ( allowed deemed depreciation ) | No Deemed Business Income | Sale Price or original Cost } Less — Deemed Business Income |

## Preliminary Expenses [ section 35D ]

Eligible assessee : ✓ Indian Companies

✓ Resident non-corporate assessees.

Amount of dedn : $1/5^{th}$ of eligible amount.

(for 5 consecutive years)

Eligible amount :

**Non corporate assessees**

- Actual notified expenses
- or
- 5% x cost of Project

} whichever is lower.

**Indian Companies**

- Actual notified expenses
- or
- 5% of cost of project
- or
- 5% of capital employed

} lower (5% of cost of project or 5% of capital employed } higher)

### Notified Expenses

**Resident non corporate assessees**

(1) Exp to conduct market survey

(2) " for preparation of feasibility report

(3) " for preparation of project report

(4) Engineering services exp.

(5) Legal charges for drafting agreement

Furnish statement containing particulars of above expenditure 1 month prior to due date of furnishing ROI u/s 139(1)

**Indian Companies**

(1) Drafting / printing of MOA/AOA

(2) Registration of Co.

(3) share issue / Debenture issue expn

(4) Advertisement expn of prospectus

(5) Underwriting commission.

~~(6)~~ ~~DI~~

**Cost of Project**

↳ Actual cost of F.A ( land / Bldg / P&M / Furniture / Fittings etc..)
which are shown
on last ~~date~~ day
of PY in which business
of assessee commences.

**Capital employed**

↳ Share capital
(+)
Debentures
(+)
Long term Borrowings.

**section 35 DDA : Amortisation of VRS compensation paid**

VRS Compensation actually paid × 1/5
during PY

## section 36 : Other deductions

1. **Insurance Premium for:**

   * Stocks / stores used for purpose of B/P.
   * Health insurance of 'ees
     - ↳ such insurance premium must not be paid in cash

2. **Bonus & commission to 'ees** (x profit / dividend)

   ( subject to section 43B )

3. **Interest on borrowings / interest on Bonds / debentures :**

   Loan taken from : Bank / FIs / NBFCs [ subject to section 43B ]

   Interest payable ↗

   Interest paid for capital borrowed for acq. of asset:

   - Interest from date of borrowing till date on which such asset was first put to use } capitalized ( included in actual cost of asset )
   - Interest for period after such first put to use } Dedn ✓

4. **Discount on ZCBs**

   L prorata basis . over period of life of such bond

5. **Contributions to Provident & other Funds**

   * Employers $\xrightarrow[\text{TO}]{\text{contribution}}$ Approved / Recognized / Statutory PF / SAF /

   ✓ dedn [ subject to section 43B ]

Employer's $\xrightarrow[\boxed{\text{TO}}]{\text{contribution}}$ Approved gratuity fund

✓ dedn ( gratuity fund should be for exclusive benefit of 'ees under Irrevocable trust )

6. Employer $\xrightarrow[\text{TO}]{\text{contribution}}$ 'ee under Pension Scheme ( 80CCD )

✓ dedn allowed
[ But restricted to 10% of Salary ]

( Basic + DA forming part )

7. Employees $\xrightarrow{\text{contribution}}$ Staff welfare scheme

first it is treated as Income in hands of 'er

✓ deduction allowed only if such amount credited on/ b4 DD under Relevant Act.

after DD , ✗ dedn allowed

8. Baddebts.

- Provision for Baddebts — ✗ allowed
- Recovery of Baddebts is deemed PGBP u/s 41.

9. Expenses on family planning by a Co.

↳ only allowed for Company    × Partnership
× Soleproprietorship

① Revenue Expenditure — ✓

② Capital Expenditure — 5 equal installments.

e/f ✓

10. Securities transaction tax paid

11. Commodities transaction tax paid

] allowed to brokers
if Income from taxable STT is included under 'PGBP'

## section 37: General / Residuary deduction

1. ✗ allowed u/s 30 to 36
2. ✗ capital nature
3. ✗ personal expn
4. ✓ incurred after B setup
5. ✓ incurred in PY
6. ✓ expended wholly & exclusively for B/P
7. ✗ incurred as a part of offence / prohibited by law.

Examples:

- Purchases
- salary to 'ees
- Advertisement (✓capital)
- Freight inward / outward
- GST / customs duty [43B ✓]
- Bonus issue expn [× right issue]
- Telephone expn
- Printing & Stationery
- Festival expn.
- Staff welfare exp.
- Keyman Insurance policy

* CSR Expenditure — X allowed.

* Incentives / Freebies / Gifts to doctors / medical practioners
  ↳ by Pharma Companies → X allowed

  [ it is considered as expn prohibited by law.
  ✓ violation of prov. of Indian Medical council ]

* Expn representing Contribution for political party.
  ↳ X allowed.

★ **Inadmissible Deductions** ★

Disallowance — an Expn not allowable under IT [if debited to P&L add back]

**Payment of Expenses to NR**

sec 40 (a)(i)

40(a)

- ★ Interest
- ★ Royalty
- ★ Fees for technical services
- ★ Other expenses

] payable to — NR (In India) / O/s India

✓ on which TDS should be deducted & should be paid on / b4 DD of ROI

★ If not deducted TDS during PY
or
After deduction, such TDS is not deposited upto DD of ROI

If 100% of such expn debited to P&L to be disallowed. (temporary)

★ If TDS deducted & paid in next yr
or
TDS paid after DD

} Next year deduction allowed ✓

★ Eventhough deductor fails to deduct TDS, deduction is allowed in next year if payee NR paid tax & filed his ROI.

✓ deducted in PY
✓ deposited b4/on DD

eg: P&L a/c for X Ltd
for PY 2023-24 — DD of ROI 31/10/2024

| | | | |
|---|---|---|---|
| To Interest payable o/s India | 5 lakh | → TDS deducted on 31/03/2024 Deposited on 15/12/2024 | Not allowed in PY 2023-24 |
| To Royalty paid to NR | 3 lakh | → TDS deducted & deposited on 15/04/2024 | Not allowed in PY 2023-24 bcoz deducted on 15/4/24 |
| To Fees for tech services o/s India | 4 lakh | → TDS deducted on 31/03/24 deposited on 15/10/2024 | Allowed in PY 2023-24 |

## Salary to NR / o/s India — section 40 (a)(iii)

Salary → (1) NR in India
(2) o/s India

✓ (i) deduct TDS in PY
✓ (ii) paid on / b4 DD of ROI
} ✓ allowed

If not satisfied always remain disallowed
[ Permanent Disallowance ]

## Payment of expenses to Resident — section 40 (a)(ia)

Expenses on which TDS Provisions are applicable → R

(i) deduct TDS in PY ✓
(ii) paid on / b4 DD of ROI

if TDS not deducted
or
TDS not paid
} then 30% of such expn disallowed (Temporary)



Next year allowed ✓

## Income tax not allowed as expenses sec 40 (a)(ii)

Income tax
Interest on Income tax
Penalty on Income tax
Provision on Income tax
Advance tax
Foreign Income tax

} — debited in P&L to disallowed [Permanent disallowance]

## Disallowance of PF contribution sec 40 (a)(iv)

If employer not made prescribed arrangement for deducting TDS from amount withdrawn from PF } disallowed ✓

## Tax on perquisite of employer if paid by employer sec 40(a)(v)

↳ disallowed [permanent disallowance]

But in hands of 'ee such tax paid 'er — exempt u/s 10(10CC)

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40 A — Disallowance u/s 40 A will override all other provisions of PGBP.

## section 40 A (2) : Payment to relatives and associates

Expenses — Relatives of Assessee *
substantial interested person ($\geq 20\%$)

↓

✓ FMV

Amount disallowed = Expenses incurred (−) FMV

**Relatives of Assessee ***

Ind ⇒ S / B / S / lineal ascendant / descendant

Partnership firm ⇒ Partner / Blood relatives of Partner / Partners substantial interested Organisation.

Company ⇒ Director / Relatives of Director / Director's

AOP / BOI ⇒ Member / " " Member / Member's

## section 40 A (3) - cash payments in excess of ₹10,000

Agg. of payment — made to a person
|
in a day
|
• cash
• Bearer cheque
• Cross cheque
— otherwise than by modes →

Made only by
1. A/c payee cheque
2. A/c payee draft
3. Electronic system through bank a/c
4. OPEM
↳ Credit card
RTGS
BHIM
NEFT
Net Banking etc

$\boxed{\text{Exceeds ₹10,000}}$

entire amount ⇒ disallowed

Agg. of payment made to in a day → Transport operators for plying, hiring or leasing goods carriages

through C/B/CChq.

$\boxed{\text{exceeds ₹35,000}}$

entire amnt - disallowed

★ some exceptions where cash payment in excess of ₹10,000 is allowed:

1. Pmnt to Govnt / RBI / Bank
2. Pmnt for purchase of agriculture produce / animal husbandary marine produce / Forest produce made to original cultivator farmer / original procurer.
3. Payment made for purchase of goods produced in a cottage industry without aid of power.
4. Payment made to a person, who resides in such place where no banking facility is available.
5. Payment made to 'ee / legal heir on retirement, resignation or death upto ₹50,000
6. Salary paid to an ~~x~~ 'ee who is temporarily posted for more than 15 days where such 'ee does not have bank a/c
7. Payment made by way of book adjustments
8. Payment made to an agent who purchase goods / service on behalf of P in cash
9. Payment made by authorised dealer / money changer against purchase of foreign currency.

## section 40 A (7) Provision for Gratuity

- If Provision for gratuity is made towards approved gratuity fund then it is allowed u/s 36.
- If any payment is actually made to employee from such approved fund, then it will not be further allowed as it will amount to double deduction.

## section 40 A (9) Contribution by employers to funds, trust etc.

unapproved ones. ✗ deduction allowed

no genuine benefit flows to 'ees.

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40(b)

**In case of any firm / LLP**

following amount shall not be deducted in computing Business Income:

(1) **Remuneration to non-working partner:**

salary
Bonus
Commission
Remuneration } ✗

(2) Remuneration / Interest } → to working partner (not authorised by deed) ✗

(3) Interest — in excess of 12% p.a — ✗

↓

working ✓
sleeping ✓
non working ✓

Actual Interest (or) 12% p.a } (L) ✓

(4) Remuneration allowed as deduction

Actual remuneration paid
or
Max. Limit u/s 40 (b)

} (L) ✓ dedn.

?

① Upto 3 lakh of Book Profit / In case of loss — ₹1,50,000 or 90% of BP } (H)

(+)

② Above 3 lakh (bal.) — 60% of BP.

★ Book profit

| | | |
|---|---|---|
| | Net Profit (debiting partner Re) | xx |
| (+) | Actual Remuneration | (xx) |
| | BP. | xx |

NP (b4 Interest or Remuneration)

(−) Interest allowable

(−) B/F unabsorbed depn

xx

## Section 41 : Deemed Income under head 'B/P'

① Recovery of expn / losses or remission / cessation of trading liability.

② Balancing charge – sale of power generating units.

③ Sale of SR asset – SLM Method of depn

④ Recovery of Baddebt claimed earlier

# 43B - Certain deductions to be only made on actual payment

✔ Deductions allowed only if paid actually [in PY] or [@least prior to DD of ROI]
( $31^{st}$ July / $31^{st}$ Oct / $30^{th}$ Nov )

## Expenses covered u/s 43B :

[1] Any Duties, taxes, cess, fees payable to Govnt. under any law
[GST, Muncipal tax, Excise Duty]

[2] Interest on loan payable to Banks, Co-op. Bank, NBFC
Public Financial Institutions & State Financial Corporation
Arrears of Interest ⟹ To fresh loan - disallowed ✓

[3] Bonus & Commission to 'ees

[4] Employer's contribution to RPF, ESI, AGF / any other employee welfare fund.

[5] Leave Salary / Leave Encashment payable to employee

[6] Amount paid to Indian Railway for use of their assets.

[7] When amount is payable to MSME → allowed ✓
⇓
as per accrual basis
If payment is done as per MSME Act.

| If written agreement | No written agreement |
|---|---|
| Payment made as per agreement<br>DD cannot be more than 45 days from date of supply of G/S | DD shall be upto 15 days from date of supply of G/S. |

Micro Enterprise :→ $\left.\begin{array}{l}\text{Investment}\\ \text{in P\&M}\end{array}\right\} < 1\ Cr$

+

T/o ≤ 5 Crore

Small Enterprise : → $\left.\begin{array}{l}\text{Investment}\\ \text{in P\&M}\end{array}\right\} < 10\ Cr$

+

T/o ≤ 15 Crore

$\boxed{43(1)}$ **Actual Cost**

| | | |
|---|---|---|
| | Purchase Price of the assets including taxes | xxx |
| (+) | Installation cost, freight inward, transit insurance | xxx |
| (+) | Interest on borrowing upto date of put to use | xxx |
| (-) | Any form of subsidy | (xxx) |
| (-) | ITC (if any) | (xxx) |
| (+)/(-) | Exchange rate fluctuations | xxx |
| | Actual Cost. | xxx |

Note:

1. cash payment in excess of ₹10,000 — X allowed.
2. If personal building is transferred to business, the actual cost is taken as → $\boxed{\text{Original cost (-) Deemed depreciation}}$

Remember: If any other personal asset is transferred to business (like car) then only record @ original cost

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# 44AA Maintenance of Accounts

① Specified Profession/ Notified Profession
- → legal /
- → Medical /
- → Engineering /
- → Architectural profession /
- → Accountancy /
- → Technical consultancy /
- → Interior decoration /
- → any other notified professions
  - ↳ Film artist (actor, director, cameraman, ...)
  - ↳ profession of CS.
  - ↳ IT professionals.

✓ Required to maintain BOA.

✓ If GR for all ~~last~~ 3 yrs IPPY > ₹1.5 lakh

or

GR > ₹ 1.5 lakh in that year (newly setup)

Then need to maintain prescribed BOA & other docs.

(1) Cash Book
(2) Journal
(3) Ledger
(4) Carbon copies of bills & receipts (for sum > ₹25)
(5) Original bills & receipts issued (for sum > ₹50)

✓ digitally maintain
✓ maintain for 6 years from end of relevant AY
✓ maintain @ PPOB

Medical Professionals => ✓ daily case register in Form 3C
✓ Inventory under broad heads of stock of drugs, medicines & other consumable accessories.

(2) Person carrying on B/P (other than Notified professions)
1. Ind / HUF
II. Person (other than Ind/HUF)

1. Ind / HUF

Income from B/P > ₹ 2.5 lakh
or
Total sales / T/o / GR > ₹ 25 lakh

exceeds in any one of 3 IPPY's.

Book mandatory ✓

( for newly set up - likely in CY )

II Other than Ind / HUF

Income from B/P > ₹ 1.2 lakh
or
Total sales, T/o / GR > ₹10 lakh.

exceeds in any one of 3 IPPY's

Book mandatary ✓

( for newly set up - likely in CY )

Penalty for failure of maintain BOA => ₹ 25,000 u/s 271A.

# 44AB Audit of Accounts (Tax Audit)

In case of person carrying on

1. Business – T/o / GR during PYs >₹1 Crore 44AB ✓

2. Profession – T/o / GR during PY >₹50 lakhs 44AB ✓

★ For 44 AB applicable persons

1 month prior to DD of ROI (31st Oct)

ie, 30 sept

Audit Report ←(Forms 3CA / 3CB / 3CD)
and particulars (Rule 6G)

★ Important points to be noted in case of person carrying on business:

Agg. cash receipts in RPY ≤ 5% of total receipts ✓

(+) Both

Agg. cash payments in RPY ≤ 5% of total payments ✓

Then 44AB ✓ only if his Total Sales / T/o / GR } Exceeds 10 Crore

Note: If cheque drawn on bank (or) by Bank overdraft } ✗ acc payee then treated as cash ✓

- Assessee opting for presumptive scheme of u/s 44AD, 44ADA, 44AE are not required to get the accounts audited.

- In cases where a/cs are audited under any other law b4 the specified date (30 sep), then Tax audit not required only report to be submitted.

- Penalty for failure to get books audited

★ 0.5% of total sales, T/o or GR.

or

★ ₹ 1,50,000 [u/s 271B]

## ★ Computation of Income on Presumptive Basis

(× for company
× LLP)

- 44AD
- 44ADA
- 44AE

### 44 AD

1. Eligible Assessee : Individual / HUF / Partnership firm (× LLP)
[ × 10AA × Chapter VIA under C ]
(80I – 80RRB]
[ only Resident ✓ ]

2. Non-applicable to : [1] Notified Professions u/s 44AA (covered u/s 44 ADA)
[2] Person earning Income.
Commission / Brokerage
[3] Person → Agency business.
[4] Business covered u/s 44AE.

3. Eligible business / Profession :

(1) { Total T/o or GR in PY } ≤ ₹2 Crore in RPY | 44AD ✓

(2) { Total T/o or GR in PY } ≤ ₹3 Crore in RPY | 44AD ✓
(+)
[ Agg. cash receipts in RPY ≤ 5% of total T/o or GR. ]

4. Determination of presumptive income :

6% of such T/o / GR which are received through a/c payee cheq. / Bank draft / ECS or OPEM [ UPI, RTGS, etc ] during the PY or b4 DD of filing of ROI u/s 139(1)

8% of such T/o if received through other modes ( like cash, bearer, cross cheque) or not received upto DD of ROI

These above % are minimum, assessee can also presume higher percentage as their income.

5. ★ section 30 - 37 } Deemed to be allowed and no further deduction

★ Unabsorbed depn ( u/s 32) – ✗ allowed

★ 40(b) for firm — Not allowed

★ Lock in period of 5 yrs — ✓

★ Not required to maintain BOA u/s 44AA or get them audited u/s 44AB.

eg: Presumptive Income declared

| AY |
| --- |
| 2024-25 |

∴ 5 successive AYs thereafter declare Income in presumptive basis only.

2025-26
2026-27
2027-28
2028-29
2029-30

If Lock in period breaked by non-declaration of profits on presumptive basis.
then 5 successive A.Ys subsequent to the AY in which income declared out of presumtive basis need to maintain BOA u/s 44AA(2) ✓

get his BOA audited u/s 44AB ✓
(if it applies)

★ Eligible assessee ⇒ opting for income declaration u/s 44AD

∴ { Pay advance tax by $15^{th}$ Mar of FY } Single Installment ✓

★ B/f losses falls u/s 70 to 80 — ∴ B/f losses can be setoff

# 44 ADA.

1. **Eligible Assessee:** Resident - Individual / Partnership firm (X LLP)

   Notified Profession u/s 44AA.

   [Medical, Engineering, Architect, Accountancy, Technical consultancy, Interior decorator, Film artists, company secretary, IT professionals]

2. **Eligible Business / Profession**

   (1) Gross Receipts ≤ ₹50 lakhs in RPY ⇒ 44ADA ✓

   (2) Gross Receipts ≤ ₹75 lakhs in RPY
   (+)
   Agg. cash receipts in RPY
   ≤ 5% of Total Gross receipts
   } ⇒ 44 ADA ✓

3. **Determination of presumptive Income:**

   50% of Gross Receipts.

4. **Advance tax obligation**

   Required to pay adv. tax by 15th Mar of FY

5. **Other points:**

   Same as 44 AD except:

   Lockin period of 5 years — Not there.

   Lower income declaration } Books + Audit ✓

   10AA
   Chapter VI-A - heading C } No restriction.

# 44 AE -

1. **Eligible Assessee:**
   - Resident ✓ Non-resident ✓
   - Assessee engaged in business of plying, hiring or leasing of goods carriage.
   - Assessee owning not more than 10 goods carriages @ anytime during PY

2. **Determination of presumptive Income**

| Heavy goods vehicle | Other than heavy goods vehicle |
| --- | --- |
| • ₹1000 per ton of gross vehicle weight for every month / part of a month | • ₹7500 per month / part of a month (consider it as a complete month) |

3. **Other points:**
   - ✗ deduction allowed u/s 30 to 38
   - ✓ Salary & Interest paid to partners (firm) – deductible (subject to 40(b))
   - ✗ unabsorbed depreciation [u/s 32]
   - ✓ B/f losses [u/s 70 – 80]
   - ✗ Lock in period of 5 years.

4. **Advance tax obligation**

   Pay adv tax as 4 Installment ✓

# ★ Agricultural Income ★

- Agricultural Income earned from India is exempt u/s 10(1)
- Foreign agricultural income (earned from o/s India)
  ↳ Taxable u/h IFOS

- Agriculture Income includes:

1. Basic operation on land
2. Basic (+) subsequent operations
   (If only subsequent operations — X agriculture Income)
   ↳ cutting, harvesting, fumigating etc...
3. Nursery business — Agriculture Income ✓
4. Rental Income — from agricultural land / bldg used for agricultural purposes ✓

- Treatment in case of composite Income

| Rule | Nature of composite Income | Business Income | Agriculture Income |
|---|---|---|---|
| 7A | Manufacture of Rubber [ Rubber plants grown ✓ Sale of rubber products ✓ ] | 35% | 65% |
| 7B | Coffee - grown & cured ✓ | 25% | 75% |
| | - grown, cured, roasted, grounded ✓ | 40% | 60% |
| 8 | Tea - grown ✓ - Manufactured ✓ | 40% | 60% |

Note: Any other business ( composite Income )

Business Income

| | |
|---|---|
| Sale value of FG | xx |
| (-) FMV | (xx) |
| (-) Cost of cultivation | (xx) |
| | xxx |

Agricultural Income

| | |
|---|---|
| FMV | xx |
| (-) Sale consideration | (xx) |
| | xx |

# 43 CA

Stamp Value for Land & Building [ Real Estate only ]

43 CA - applies when sale of Land / Building as SIT
[ Property dealer → PGBP Income ]

Land / Bldg

- Sold as stock → 43 CA ✓ (PGBP)
- trf ~~to~~ as a capital asset → 50 C ✓ (CG)

Sale Consideration < SDV ⇒ SDV = deemed to be Full Value of Consideration

$\boxed{\text{SDV} > 110\% \text{ of sale consideration}}$

✓ SDV = Full Value Consideration

$\boxed{\text{SDV} \leq 110\% \text{ of sale consideration}}$

✓ Sale consideration = FVC

Date of agreement
Date of registration } not same

check whether a part of consideration has been received by way of a/c payee cheque / a/c payee bank draft

SDV on date of agreement