



PGBP

All Adjustment Sheet

FULL 14 MARKS IS YOURS NOW !!

FEATURES:

- This PGBP Adjustment sheet is from the main adjustment asked by ICAI from Previous Papers.
- These adjustments are covered with their Reasons that you need to write in Notes.
- This will help you to revise the whole PGBP in less than 30 mins in exam time.

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PGBP Adjustments Summary with Notes by Vaibhav Bansal

Particulars		Notes to be written
Profit as per Books/Net Profits as per Books		
Add: deductions not allowed/ things to be added to income		
1	4/5th of VRS compensation paid to Employee	<i>Section 35DDA allows a business to claim a deduction in five equal installments over a period of five years for any expenditure incurred on payment to employees under a voluntary retirement scheme.</i>
2	Additional depreciation allowed will be added back, if assessee opts for 115 BAA/ BAB / BAC	<i>If the assessee opts for Concessional Tax regime, then Additional Depreciation is not allowed to them u/s 115BAA/BAB and BAC.</i>
3	Advertisement in the souvenir of political party (only for co.)	<i>Section 37(2B) explicitly prohibits any deduction for contributions, donations, or expenditure incurred by a taxpayer (specifically companies) towards advertisements in any souvenir, brochure, or pamphlet published by a political party.</i>
4	Payment to electoral trust by cheque	<i>The Payment should be made by only modes other than cash (incl. cheque). Remember, crossed cheque is allowed.</i>
5	Amount paid to employee welfare trust	<i>Under Section 40A(9), such payments are considered diversions of income rather than actual business expenses.</i>
6	Amount spent out of NABARD A/c ➤ If utilization is not permissible ➤ If utilization is done after end of P.Y.	<i>According to Section 33AB, only permissible utilization of funds is allowed and to be utilized in the same PY in which it is withdrawn. Not Permissible Utilizations are: P&M installed in Office Premise or residential accommodation, any office appliances (excl. computers), any P&M whose 100% cost is claimed earlier.</i>
7	Bad debts recovery in excess of unallowed portion	<i>Under PGBP, bad debts recovery is disallowed to the extent it exceeds the amount previously disallowed or unclaimed because of the provision in Section 41(4) of the Income-tax Act, 1961. This section states that if a bad debt previously written off and allowed as a deduction under Section 36(1)(vii) is subsequently recovered, it becomes taxable as income. However, if the recovery exceeds the portion that was not allowed as a deduction, the excess amount is not considered taxable income and is disallowed as a deduction.</i>
8	Claim for escalation of prices in ongoing contracts	<i>Under PGBP, claims for price escalation are disallowed until reasonable certainty of realization arises, as per Section 145. These claims become taxable only in the year when they are certain to be received, ensuring that income is recognized when it is no longer contingent.</i>
9	Compounding fees / regularization fees	<i>Because it is Breach of Law, hence it is not allowed.</i>

PGBP Adjustments Summary with Notes by Vaibhav Bansal

Particulars		Notes to be written
10	Contribution in employee pension scheme (NPS- 80CCD) in excess of 10%- (Basic + DA)	<i>Only 14% in case of Government Employees is allowed and 10% is allowed for other employees. Contribution in excess of 14%/10% is disallowed.</i>
11	CSR expenditure	<i>CSR Expenditure shall not be treated as expense for business / profession, hence, not allowable u/s 37.</i>
12	Direct tax- tax interest penalty	<i>As per Section 40(a)(ii), DT Tax/Interest/Penalty everything is disallowed</i>
13	Discount given by sundry creditors / waived	<i>It is Deemed Income as per Section 41(1)</i>
14	Donation to Swachh Bharat Kosh	<i>It will be added here, as it is not necessary to run business but shall be allowed as deduction under Section 80G. Disallowed under 37(1)</i>
15	Expenses on transfer of carbon credits	<i>Section 115BBG, provides that no deduction shall be allowed in respect of any expenditure or allowance in computing the income from the transfer of carbon credits.</i>
16	Expenses on Foreign travel of director for collaboration agreement (not related to business) which failed to materialize.	<i>It is a Capital expenditure, hence not allowed.</i>
17	Expenses on issue of right shares	<i>Disallowed [Brooke Bond India Ltd. (SC)] u/s 37</i>
18	Expense on expansion of new business & project was abandoned without creation of new asset	<i>Expenses are Capital in nature</i>
19	Expense on Public issue of shares	<i>Even if SEBI not approved the IPO, then also it will be disallowed because of Capital Nature Expenditure, and if it is for increasing the Authorized Share Capital, then also it is disallowed (Punjab State Industrial Development Corpn. Ltd.)</i>
20	Expert opinion charges and development charges paid for capital assets	<i>Under PGBP, expert opinion charges and development charges paid for the acquisition or enhancement of capital assets are disallowed as revenue expenses because they are considered capital in nature.</i>
21	Fees paid to Independent/ non-executive director without deduction of TDS	<i>30% disallowed u/s 40(a)(ia) if Resident, otherwise 100% for NR.</i>
22	Franchisee fees paid	<i>It is a capital nature expenditure; however it will be added to the cost of asset and 25% Dep can be taken.</i>
23	GST demand/penalty for delayed filing of return	<i>It is a Breach of Law.</i>
24	If outstanding interest is converted into debenture or any instrument which defers the liability	<i>Outstanding interest converted into debentures or any instrument that defers the liability is disallowed under Section 43B of the Income-tax Act, 1961. This section mandates that interest expenses are only allowed as a deduction when actually paid</i>

PGBP Adjustments Summary with Notes by Vaibhav Bansal

Particulars		Notes to be written
25	Illegal expenditure / secret commission	<i>Sec. 37(1) specifically prohibits deductions for expenses incurred for purposes that are illegal or against public policy.</i>
26	Industrial power, tariff concession recd. from Govt.	<i>It is always be added to the Income</i>
27	Interest and borrowing cost incl. in opening stock	<i>As per Section 36(1)(iii) of the Income-tax Act, 1961, interest on borrowed capital is allowed as a deduction only when it pertains to revenue expenses.</i>
28	Interest to partner on	<i>Whether from Capital A/C, Loan A/C or Current A/C, in excess of 12% is disallowed.</i>
29	Interest on loan taken for payment of income tax	<i>Disallowed under Sec. 37(1)</i>
30	Interest u /s 234B for short payment of advance tax	<i>Breach of Law.</i>
31	Loss due to destruction of machine due to fire	<i>It is a capital Nature Loss, if it's scrap value is credited to PL, we need to reduce it from PL and further reduced from the WDV of P&M.</i>
32	Marked to market loss	<i>if not as per ICDS then disallowed.</i>
33	Non- compete fees paid	<i>It is an Intangible asset, if any expense booked shall be added back and Dep @25% on Intangible asset can be claimed.</i>
34	Payment for freebies / gifts to doctors	<i>Disallowed under Sec. 37.</i>
35	Payment of bonus	<i>If it is not given to trust as well as employees then it shall be added back.</i>
36	Payment of interest to cooperative bank after due date of 139(1)	<i>It is to be allowed based on Actual Payment till due date of filing of return. If it is paid in any subsequent year, then deduction shall be allowed in that year.</i>
37	Payment to commodity brokers without deducting TDS	<i>If commodity transaction- not related to business- 100% disallowed If commodity transaction- related to business- 30% disallowed</i>
38	Payment to consultant for opening a new business	<i>It is of capital nature.</i>
39	<ul style="list-style-type: none"> ➤ Payment to middleman for purchase of crab, lobster in excess of ₹10,000- Sec 40A(3) ➤ Payment to wholesale trader for purchase of wheat from mandi in excess of ₹10,000 	<i>not allowed under Rule 6DD</i>
40	Payment to share brokers relation to equity shares (without deducting TDS)	<i>If assessee has share trading business- allowed- no TDS on payment to share brokers</i>

PGBP Adjustments Summary with Notes by Vaibhav Bansal

Particulars		Notes to be written
		<i>If assesses does not have share trading business- not allowed</i>
41	Provision for deferred tax	<i>Disallowed under Section 37(1)</i>
42	Provision for gratuity based on Actuarial valuation	<i>Disallowed under section 40A(7)</i>
43	Provision for loss of subsidiary	<i>Provision for loss of a subsidiary is disallowed as a deduction because it is considered a contingent liability rather than an actual incurred expense. As per Section 37(1) of the Income-tax Act, 1961, only expenses that are incurred wholly and exclusively for the business and are not of a contingent nature can be claimed as deductions.</i>
44	Purchase of anything at price higher than M.V.	<i>Disallowed under 40A(2)</i>
45	Referral fees / commission paid to doctors	<i>Disallowed under 37(1), considered against public policy of the Medical Council of India.</i>
46	Retention money is included in income	<i>It is disallowed</i>
47	Retrenchment compensation on closure of entire business	<i>It is of Capital Nature.</i>
48	Sales tax (GST) not refunded to customer out of sales tax refund	<i>Disallowed</i>
49	Tax paid by employer on non-monetary perquisites	<i>It is disallowed to the employer for more refer Sec. 192.</i>
50	Undervaluation of stock	<i>Closing Balance to be added</i>
51	Waiver of principal part of working capital loan	<i>Deemed Income u/s 41</i>
<u>Less: Deduction allowed/things to be deducted from income</u>		Notes to be written
1	Actual Gratuity Paid	<i>Allowed on Actual Basis under Sec. 43B</i>
2	Additional consideration received from State Govt. Due to interim order of court	<i>It will be taxable in the year in which final order is passed</i>
3	Amount waived by bank on arrears of interest	<i>Not allowed as deduction, so not allowed in income</i>
4	Commission paid to recovery agent for realization of debt.	<i>It is allowed as per the case law of - DCIT v/s Super Tanneey ltd</i>
5	Contribution to research institution for scientific research, even if afterwards its approval is withdrawn	<i>Section 35 clarify that, even if the research institute approval is withdrawn after your contribution, you can still claim the deduction of such amount</i>
6	Contribution to national fund for rural development	<i>Allowed u/s 35CCA</i>

PGBP Adjustments Summary with Notes by Vaibhav Bansal

Particulars		Notes to be written
7	Cost of abandoned film	<i>It is a Revenue Expenditure and hence allowed as per CIT Vs Priya Village Roadshows Ltd. (Delhi HC)</i>
8	Discount on issue of debentures	<i>Allowable over the tenure of the deb. e.g., if 3 years, then 1/3rd allowed</i>
9	Employer's contribution to EPF if paid before due date of 139(1)	<i>Allowed as per section 43B on actual payment before due date of ROI.</i>
10	Employee's contribution to EPF if paid before due date of that PF Act	<i>Allowed</i>
11	Exp. on issue of bonus shares	<i>Allowed</i>
12	Exp. on issue of convertible debenture	<i>Revenue Expenditure</i>
13	Expenditure for which invoice is not available	<i>If goods inward report and online payment proof available then allowed</i>
14	Expenses for bringing drinking water to village where factory is situated	<i>It is allowed u/s 37(1)</i>
15	Grant received from State Govt. for acquisition of asset	<i>It will be Reduced from actual cost</i>
16	GST interest- interest on delayed filing of return	<i>Interest from IT Act is disallowed, not from GST</i>
17	Income tax refund & interest	<i>Reduced from PGBP, it will be taxed in IFOS</i>
18	Interest & borrowing cost incl. in closing stock	<i>It is Capitalized in the cost of the asset hence, dep can be claimed on it.</i>
19	Interest on share application money deposited in bank	<i>Adjusted with Share issue expenses, hence allowed.</i>
20	Loss by theft / dacoity allowed if incidental to business	<i>It is in relation to Business, hence allowed as per Sec. 37</i>
21	Overvaluation of Closing stock	<i>Allowed</i>
22	Payment of new installment of loan converted from arrears of interest	<i>Allowed on Actually Paid basis u/s 43B (Explanation to 43B)</i>
23	Payment to an employee in cash who is posted in another place for 15 days or more where no bank Account is available and TDS has been deducted.	<i>Allowed as per Rule 6DD</i>
24	Payment to NR, whose income is not chargeable to tax in India without deducting tax.	<i>Allowed, as income is not chargeable to India, hence no Tax to be deducted</i>
25	Payment to transporter without deducting TDS	<i>Allowed, if transporter opts Presumptive tax and gives declaration in this regard</i>
26	Payment towards feasibility study conducted for tech advancement related to business	<i>It is in relation to Business, hence allowed, even if abandon without creation of new asset.</i>

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Particulars		Notes to be written
27	Payment up to Rs. 50,000 in cash to employee on his retirement	<i>Allowed</i>
28	Penalty paid to govt. For failure of performance in contract	<i>It is a Breach of Contract, not the Breach of Law, hence allowed.</i>
29	Profit from hedging contract for safeguarding against any loss that may arise due to currency fluctuation	<i>It needs to be adjusted from the WDV of the Asset under Sec. 43AA.</i>
30	Profit on sale of land to 100% subsidiary (Indian)	<i>It is a Capital Asset, hence to be treated under Capital gains but, it is not a Transfer u/s Sec 47(iv)- hence No CG</i>
31	Provision for payment to workers estimation on wage and reasonable certainty of revision	<i>Revenue in Nature - Allowed</i>
32	Purchase omitted in books of account	<i>Allowed.</i>
33	Rental income of company opting 115 BAB	<i>Deducted from PGBP and Taxable under IFHP But Municipal tax & Standard deduction not allowed u/s 115 BAB</i>
34	Retrenchment compensation on closure of some of business units	<i>It is Revenue in Nature</i>
35	Sponsorship fee for local Cricket tournament- If incurred for promotion of business out of business expediency	<i>Allowed under section 37</i>
36	STT paid	<i>Allowed under Sec. 36</i>
37	The 30% that was disallowed last year in 40(a)(ia)	<i>As last year we have disallowed because of contravention of the Sec. 40(a)(ia)</i>
38	The cost revenue of glow sign board is expenditure	<i>Business, Revenue Expenditure</i>