

PGBP adjustments - By CA Amit Mahajan

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List of all important adjustments

Sr No	Particulars	Effect to adjustment	
1	Bonus to employees Rs 60,000. Provision made on 31.03.2019 and was paid on 30.11.2019 after the due date for filing the return Assessee - Individual	Not allowable as deduction	AM notes - Bonus paid to employees on 30.11.2019 being after the "due date" for filing the return of income
2	Interest on private loan Rs 12,000 was paid by account payee crossed cheque on 10.08.2018. No tax was deducted at source.	30% disallowed	AM notes - Interest on private loan Rs 12,000 paid without deduction of tax at source. Hence 30% is disallowed under section 40(a)(ia)
3	Dividend received from Indian Companies (listed in recognized stock exchange) received during the year Rs 21,000	If already added in PGBP income REDUCE IT FROM NP	AM notes - IFOS Income
4	PPF interest credited Rs 27,000 and savings bank interest ` 13,500 from UCO Bank	PPF - Exclude from P&L (LESS) Savings bank interest - Exclude from P&L (LESS)	AM notes - PPF Interest - Exempt Savings bank account interest - IFOS
5	Salary paid to wife ` 30,000 per month during the year 2018-19. (Reasonable monthly salary considering her qualification and experience is ` 20,000 per month)	Excess amount of Rs 10,000 - Disallowed	AM notes - Salary to wife in excess of the fair market value considering her qualification and experience to be disallowed `10,000 × 12 Section 40A(2)
6	Provision for doubtful debts	Disallowed	AM notes - remember all income tax provisions are disallowed
7	Depreciation as per Companies Act	Disallowed	
8	Depreciation as per Income Tax	Allowed as deduction	
9	Agricultural Income included in P&L	Exclude from income (LESS)	AM notes - Exempt Agricultural income from land situated outside India - Taxable under IFOS
10	Provision for income tax	Disallowed	
11	Income Tax paid	Disallowed	
12	GST paid	Allowed as deduction	
13	Interest paid on Income Tax	Disallowed	
14	Interest paid on GST or any tax other than income tax	Allowed as deduction	
15	Expenses on issue of right shares	Disallowed	AM notes - As right shares increases the capital base and hence expenses towards it are CAPITAL EXPENSES
16	Income tax refund received	NEVER include in PGBP - add INTEREST OF REFUND it to IFOS	AM notes - Tax refund is never taxed as that is our money However, interest on that amount is our income and hence taxable (IFOS)
17	Amount received by 1. winning from lottery 2. Dividend from UTI	Reduce from PGBP income ADD to IFOS	AM notes - If not added to PGBP income - NO EFFECT TO PGBP Just add it to IFOS
18	Car purchased shown in PnL dr side	Disallowed as it is a cap expenditure	AM notes - Disallow entire car amount but deduct depreciation on that car
19	Repairs, maintenance of car	Allowed as deduction	
20	Value of benefits received from clients	PGBP income	AM notes - Section 28
21	Incentives to articled assistants who cleared their exams	Allowed as deduction u/s 37(1)	AM notes - Spend on articles - They will be motivated - If They are motivated - work productivity increases - If productivity increases - my business grows THUS, IT IS A business EXPENDITURE
22	Municipal taxes paid w.r.t. residential flat let out	Disallowed as deduction Reduce this from House Property	
23	Opening stock of Rs 10,000 omitted to be recorded	Reduce from NP	AM notes - Why reduce? Because once we record 10,000 as opening stock - dr side would go up - which will result in reduction of profit



CA Amit Mahajan | 9969842303 | profmahajan07@gmail.com



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24	Closing stock of Rs 20,000 omitted to be recorded	Add to NP	AM notes - Why add? Because once we record 20,000 as closing stock - cr side would go up - which will result in increase in profit
25	Opening stock of Rs 10,000 recorded by mistake	Add to NP	AM notes - Why add? Because once we remove 10,000 from opening stock - dr side would go down - which will result in increase in profit
26	Closing stock of Rs 50,000 recorded by mistake	Reduce from NP	AM notes - Why reduce? Because once we remove 10,000 from closing stock - cr side would go down - which will result in reduction in profit
27	Unreasonable amount paid to brother	Disallowed to the extent of that unreasonableness u/s 40A(3)	
28	Dry fruit packets given to important customers as advertisement	Allowed as deduction - wholly and exclusively for business	
29	Expenses on expansion of new business and project was abandoned without creation of new asset	DISALLOWED - Capital Expenditure	
30	Payment of Rs 50,000 made to fisherman IN CASH	ALLOWED - Rule 6DD	
31	Payment of Rs 50,000 made to middleman to purchase fish - IN CASH	DISALLOWED - Allowed only fisherman DIRECTLY - does not fall under 6DD - since the amount is more than 10,000 - DISALLOWED	
32	Interest paid on loan taken for payment of income tax	DISALLOWED	
33	Bad debts recovered	Add to NP	AM notes - Section 41(4)
34	Penalty paid for breach of law	DISALLOWED	
35	Penalty paid for breach of Contract	ALLOWED as deduction	AM notes - If I get a different contract better than the current one - I can take a call and cancel the earlier contract. Thus, allowed
36	Payment made to Resident without deducting TDS	30% disallowed	
37	Payment made to Non-Resident without deducting TDS	100% disallowed	
38	Payment made to Resident where TDS is deducted BUT paid after end of FY but before due date of filing ROI	ALLOWED (100%) - since TDS was deducted in the FY and TDS is deposited before filing ROI	
39	Payment made to Resident where TDS is deducted after FY ends and also paid after end of FY but before due date of filing ROI	DISALLOWED	AM notes - HOW? Time till due date of filing of ROI is allowed only for PAYMENT of TDS with the govt and NOT for deducting the TDS. TDS should be deducted in FY itself
40	Payment of Rs 30,000 paid to a vendor IN CASH	DISALLOWED Section 40A(3)	
41	Payment of Rs 30,000 paid to a Transporter IN CASH	ALLOWED	AM notes - Limit is Rs 35,000
42	Expenses on issue of bonus shares	ALLOWED	
43	Loss by theft	ALLOWED - RELATED TO BUSINESS	
44	Dividend received	Reduce from NP Add to IFOS	
45	FY 2021-22 - payment made without deducting tds FY 2022-23 - tds deducted and deposited with govt	FY 2021-22 - 30% disallowed & 70% allowed FY 2022-23 - 30% allowed	
46	Interest paid on delayed filing of GST returns	ALLOWED	
47	Interest paid on delayed filing of Income Tax returns	NOT ALLOWED	
48	Motor car purchased and 50% used for personal purpose	Cost not allowed as deduction Depreciation to the extent of 50% original rate would be allowed	
49	Provision for gratuity basis actuarial valuation	DISALLOWED	
50	Interest paid to banks after end of FY but before due date of filing ROI u/s 139(1)	ALLOWED even because payment was made before filing of ROI	
51	Interest paid to banks after end of FY and after due date of filing ROI u/s 139(1)	DISALLOWED in the current FY but allowed in the next financial year	
52	CSR expenditure	DISALLOWED	
53	Expenses on transfer of carbon credits	DISALLOWED	
54	Illegal expenditure	DISALLOWED	

