

PGBP ADJUSTMENT SHEET - SEPTEMBER 25

Sr.	Particulars	Treatment
A.	Net profit as per Profit & Loss	xxx
B.	Items which have been debited but shouldn't be debited	
	1. Opening stock over-valued	Add Back
	2. Closing stock under-valued	Add Back
	3. Depreciation as per Profit & Loss A/c i.e. as per Companies Act 2013	Add Back
	4. Notional rent for building used for business or profession paid by the owner [Not allowable under section 30, since the one who paid the rent is the owner of the property]	Add Back
	5. Municipal taxes attributable to let out and self-occupied portions not allowable [House property head mein deduction milta hai, but PGBP mein it is allowed only if it is related to Business].	Add Back
	6. Municipal Tax on Residential House [If municipal tax of a residential property is included in admin expenses, it should be disallowed].	Add Back
	7. Repair expenditure of Capital Nature would not be allowed [Idhar add back karlo, baad mein cost of asset pe depreciation mil jaaega]	Add back
	8. Contribution to scientific research association approved u/s 35, but research institution loses approval after the payment [Allowed even if approval lost after the contribution]	No Treatment
	9. Contribution to scientific research association approved u/s 35 (Default Tax Regime) [Not allowable under section 35(1)(ii) as per default tax regime]	Add Back
	10. Loss on sale of asset of scientific research	Add Back
	11. Capital exp. incurred before commencement of business [Commencement Year] Capital exp. incurred after commencement of business	Don't Add Back [Allowed]
	12. Expenses related to Amalgamation/Demerger or Voluntary Retirement Services [Add Back entire amount and claim only 1/5 of it since its allowed in 5 equal annual instalments]	Add Back
	13. Employer's contribution to NPS in excess of 14% of [Basic Salary + DA]	Add Back
	14. Premium paid in cash for employee health insurance under IRDA-approved schemes (If it would have been paid via non-cash methods, then allowed)	Add Back
	15. Bonus/Commission not paid to employees (Since allowed only when it is paid)	Add Back
	16. Employee's Contribution to Welfare Funds credited by the employer after 15th day of the next month	Add Back
	17. Interest on loan a) Taken for residential purpose b) Taken for business purpose (capital asset) 1. Up to put to use 2. After put to use c) Taken for business purpose	Add Back Add Back Allowed Allowed
	18. Provision for Bad Debt	Add Back
	19. Advertisement in any souvenir, brochure, tract or the like published by any political party.	Add Back

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	20. Fee for late filing of income-tax return	Add Back
	21. Insurance premium for non-business purpose	Add Back
	22. Personal drawings disallowed u/s 37	Add Back
	23. Interest on housing loan for reconstruction of residential house [Dedn U/S 24(b)]	Add Back
	24. Interest on education loan for son [Dedn U/S 80E]	Add Back
	25. Travelling expenses incurred for personal purpose [Business purpose ke liye hota toh it would have been Allowed]	Add Back
	26. Contribution to Prime Minister's Relief Fund [Not allowable since the same is not incurred wholly and exclusively for business purpose. However deductible u/s 80G]	Add Back
	27. SGST Penalty paid [SGST penalty paid is not compensatory in nature and therefore, not allowable]	Add Back
	28. Interest on capital borrowed for construction of house attributable to let out and self-occupied portion not allowable [No deduction over here but House property head mein Sec. 24(b) mein milega]	Add Back
	29. Interest on loan taken for purchase of electric car used for personal purpose [Not allowable as deduction while computing business income as being expense of personal nature. Thus, interest amount has to be added back, since the same forms part of interest on loan debited to profit and loss account].	Add Back
	30. Interest paid on which tax is not deducted attracts disallowance @30% under section 40(a)(ia) [Since Individual's turnover for the immediately preceding previous year i.e., P.Y. 2022-23 exceeds ` 1 crore, he is required to deduct tax at source]	Add back 30%
	31. Expenses where TDS was deductible and not deducted or deducted but not paid to Govt. [30% if payable in India/ 100% if payable outside India]	Add Back
	32. Advance income-tax paid disallowed u/s 40(a)(ii)	Add Back
	33. Taxes, surcharge, or cess on business or professional profits	Add Back
	34. Contributions to provident funds or employee funds without TDS deduction on salaries	Add Back
	35. Taxes on non-monetary perquisites paid by employer [Since it is exempt from tax in the hands of the employee]	Add Back
	36. Excessive salary paid to sister-in law [Allowed, since sister-in law does not fall within the definition of relative]	Don't Add Back [Allowed]
	37. Remuneration paid to his wife Mrs. Beena as per market rates [As per section 40A(2) remuneration paid to Mrs. Beena is allowed, since it is as per market rates] [Yaha deduction mil jaaega, but dhyaan rahe since it is without any professional skill it will be clubbed in spouse's income]	Don't Add Back [Allowed]
	38. Salary paid to an accountant in cash exceeding ` 10,000	Add Back
	39. Transport charges of ` 30,000 in cash [Not disallowed since the limit for one time cash payment is ` 35,000 in respect of payment to transport operators.]	Don't Add Back [Allowed]
	40. Cash payment to a Transport Carrier of Rs.36,000 in cash [Disallowed under section 40A(3) if exceeds the limit of one time cash payment Rs.35,000 in respect of payment to transport operators]	Add Back

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	41. GST liability paid on 1.5.2023 [Since GST liability has been paid before the due date of filing return of income under section 139(1), the same is deductible]	Don't Add Back [Allowed]
	42. Payment made to MSME beyond the time limit [Section 43B]	Add Back
	43. Payment to Medium Enterprises [not paid yet]. [Since Section 43(B) is not applicable on Medium Enterprises]	Don't Add Back [Allowed]
	44. Interest on capital borrowed from bank for construction of house attributable to business portion [Not allowable, since it is not paid on or before due date of filing return of income by virtue of section 43B]	Add Back
	45. Purchase of building [It's a capital asset on which we will claim depreciation thus add back]	Add Back
	46. Payment for Laptop [It's a capital asset on which we will claim depreciation thus add back]	Add back
	47. Conveyance expenses in relation to employment debited to Income and Expenditure A/c, not allowed	Add Back
	48. Power and fuel expenses incurred for providing power back up to tenant [However same will be deductible from Income from providing back up u/h IFOS]	Add Back
C.	Items which should have been credited but have not been credited	
	1. Payments received for: a) Termination/modification of management, agency, or contracts b) Government takeover of business/property	Add Back
	2. Export Incentives	Add Back
	3. Gifts, Benefits & Perquisites, whether in cash or in kind, in the COFOB	Add Back
	4. Any interest, salary, bonus, commission, or remuneration received by a partner from a firm/LLP (as much as allowed to the Firm/LLP).	Add Back
	5. Payments received for: a) Not engaging in a business activity. b) Not sharing business rights, intellectual property, or trade secrets	Add Back
	6. Any sum received under a Keyman insurance policy (by nominee or employer).	Add Back
	7. FMV of inventory when converted into a capital asset is taxable.	Add Back
	8. Sum received from sale of capital assets referred under Section 35AD	Add Back
	9. Bad debts recovery in excess of disallowed debt	Add Back
	10. Fees from visits to other hospitals [Since it's an income, it will be added & if TDS is deducted, it will be grossed up]	Add Back
	11. Fees received for earlier years received during current year [Taxable in this year since the assessee follows cash system of accounting]	Add Back
	12. Gifts received from relatives of patients [taxable as business income]	Add Back
	13. Commission from agent allowed earlier, received later on in full & final settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. assessee received back such amount due to settlement, the same would be deemed as her income]	Add Back
	14. Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of a) deduction allowed u/s 35; or b) sale proceeds of scientific research asset	Add Back

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	15. Interest on capital from partnership firm [$\text{₹ } 2,00,000/15\% \times 12\%$] [Since interest on capital from Firm textiles is authorized by partnership deed, interest @12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Assessee under section 28].	Add Back
D.	Items not debited but should have been debited	
	1. Opening stock under-valued	Less
	2. Closing stock over-valued	Less
	3. Depreciation as per Income Tax Act 1961	Less
	4. You bought a machine and paid for the same in cash as well as account payee cheque. Since you paid 28,000 through cash, depreciation will be allowed only on 25,000.	Less [Not full]
	5. Additional Depreciation	Less
	6. Job charges of Rs. 90,000 without deduction of tax [Rs.90,000 – 30% of Rs.90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia). Remaining job charges paid would be allowable as deduction while computing business income]	Less
	7. Salary paid to staff not recorded in the books [Assuming the expenditure is in the nature of unexplained expenditure, the same is deemed to be income as per section 69C of Mr. Sahil. No deduction would be allowed in respect of such expenditure. However if the assessee gives a satisfactory explanation to the AO then it will be allowed as deduction]	Not to be deducted
E.	Items which have been credited but should not have been credited	
	1. Received salary [Taxable u/h Salary]	Less
	2. Received rental income [Taxable u/h House Property]	Less
	3. Received any gain from sale of capital asset (Eg. – Land, capital asset used for scientific research, shares etc.) [Taxable u/h PGBP]	Less
	4. Royalty income [Considering it to be Business Income] [Similarly, exp. Related to Royalty won't be added back as well]	Not to be deducted
	5. Received winnings [Taxable u/h IFOS]	Less
	6. Received dividend [Taxable u/h IFOS]	Less
	7. Received from furniture [Taxable u/h IFOS]	Less
	8. Received interest from saving bank account (With any bank/post office) [Taxable u/h IFOS]	Less
	9. Received Income Tax refund/ Interest on Income Tax refund [Interest on IT Refund - Taxable u/h IFOS]	Less