TOTAL INCOME ADJUSTMENTS
– CA YASH KHANDELWAL

Income from Salary	X X X
Less : Standard deduction (50000 / 75000)	X X X
↓ ↓ Old regime 115 BAC	
	X X X
Income from House Property	
SOP – Always Loss	(X X X)
LOP / DLOP –	
Gross Annual Value – Expected Rent	X X X
or ↑	
Actual Rent	
(–) Municipal Taxes → only if PAID by owner	(X X X)
Net Annual Value	X X X
(–) Deduction u/s 24	
(a) 30% of NAV	(X X X)
allowed on ← (b) Interest due basis	(X X X)
Income from House Property	X X X

PGBP Income

Profit as per Books / Net Profit as per P&L

Add: Deductions not allowed (Add if debited)

1. Depreciation as per Books of Accounts	X X X
2. Amount paid to relative in excess of reasonable amount [40A(2)]	X X X
3. Motor car expenses used for personal purpose ↳ If used for personal purpose proportionately, then disallowed proportionately	X X X
4. Drawing (as it is of personal nature)	X X X
5. Investment in NSC (Add here, allowed in 80C)	X X X
6. Under valuation of closing Stock	X X X
7. Payment in Cash / Bearer Cheque / Crossed Cheque > 10000	X X X
8. Advertisment in the souvenir of political party ↳ only for co. → Add here, allow u/s 80GGB	X X X
9. Donation to political party or electoral trust ↳ add here, allowed u/s 80GGB - Co. 80GGC - Ind./HUF/Others	X X X
10. GST Penalty → If not Compensatory in Nature.	X X X
11. 30% of amount paid to Resident without TDS ↳ disallowed u/s 40(a)(ia)	X X X

12. 100% of amount paid to Non-Resident without TDS ↳ disallowed u/s 40(a)(i)	X X X
13. Interest on Loan upto put to Use of Asset ↳ added to cost of Asset	X X X
14. Accrued / Due expenses – not allowed if Assessee follows Cash System of Accounting	X X X
15. Salary paid to relative in excess of reasonable amount. ↳ disallowed u/s 40 A (2)	X X X
16. Expenses on Family planning of Employees ↳ only allowed to company	X X X
17. Medical exp on Parents ↳ add here, allowed u/s 80D 25000 / 50000 I+R+ 60	X X X
18. Purchase of any Business Asset ↳ add here, allow depreciation	X X X
19. Income Tax / Advance Tax Direct Tax Tax Interest Penalty disallowed	X X X
20. Contribution to NPS in excess of 14% (Basic + DA (which forms part))	X X X
21. 4/5th of VRS compensation paid to employees	X X X
22. Donation to Gurudwara in Cash ↳ 80G also not allowed	X X X
23. Interest and Municipal Taxes paid for SOP and let out portion of House. ↳ disallowed here, allowed in HP → municipal tax not allowed in HP for SOP	X X X

24. Notional rent of own house used for Business purpose	X X X
↳ not allowed to owner u/s 30	
25. Interest paid to Bank after due date of ROI	X X X
26. Contribution to PM Relief Fund	X X X
↳ add here, allowed u/s 80G	
27. Loss on sale of Capital Asset	X X X
↳ add back here, treat in capital gain	
28. Loss on sale of Scientific Research Asset	X X X
↳ not allowed	
29. 4/5th of Preliminary Expenditure u/s 35D	X X X
30. Amount payable to an MSME beyond the given time limit in the MSME Act, 2006 — Allowed on Actual Payment Basis	X X X
if written agreement → on/before that date — Max 45 days	
if no agreement — within 15 days	
31. Capital expenditure & Repairs of Capital nature	X X X
32. Fine / Penalty for Breach of Law	X X X
(except Breach of Contract, being compensatory in nature)	
33. Expense on issue of Right Shares, Public issue and increase in auth. Capital.	X X X

Add: Things to be added to Income (Add if not credited to P&L)

	X X X

1. Bad debt recovery in excess of unallowed portion is added to Income

Debtor – 30   unallowed – 18
Bad debt – 12   Recovery – 23
Recovery   23
(–) unallowed   18
                            ―――
                              5   should be
                                     Added to income

But whole recovery of 23 is credited to P&L
↓
then we have to deduct 18 from Income

2. Sale proceeds of scientific research asset	X X X

    ↳ sale proceeds   xxx
    or deduction allowed u/s 35   xxx ↳ w.e. lower

3. Remission / Cessation of Trading Liability	X X X
4. Sale / Remuneration, Interest received from firm to the extent deductible in hands of the firm	X X X

Less : Deductions allowed (Deduct if not debited)
             (if already debited - no adjustment)

1. Depreciation as per Income Tax Act	(X X X)
2. Scientific contribution to approved university	(X X X)

        ↳ not allowed u/s 115BAC

3. Gift of dry fruits to important customers	(X X X)

    ↳ allowed as revenue expense

4. Payment in cash / bearer cheque / crossed cheque to transporter upto 35000	(X X X)
5. 100% deduction allowed on all capital exp. u/s 35 AD (Except land, Goodwill and FI)	(X X X)
6. Salary paid to sister in law in excess of reasonable amount → allowed (sister in law - not relative as per 40A(2))	(X X X)
7. EMPLOYER's contribution if paid before due date of ROI u/s 139(1)	(X X X)
8. EMPLOYEE's contribution if paid before due date of relevant Act (15th of next month)	(X X X)
9. Interest on loans of Asset after put to use ↳ not allowed as business exp. if asset is for personal purpose	(X X X)

10. Sale of Furniture to Brother at price less than FMV	(X X X)
↳ 40 A(2) not applicable on Sale Transaction	
↳ no adjustment required	
11. Interest and municipal taxes paid for Business portion of House → if paid before due date of ROI	(X X X)
12. Allow additional depreciation if Assessee is engaged in manufacturing / generation of electricity → not allowed U/s 115BAC	(X X X)
13. Expense on Buy Back, issue q debenture, Issue q Bonus Shares	

Less : Things to be deducted from Income (Deduct if credited-)

1. Undervaluation of opening stock	(X X X)
2. Income from UTI	(X X X)
3. Income from Dividend	(X X X)
4. Interest on Debentures	(X X X)
5. Winning from Horse Race	(X X X)
6. Interest on Bank FD	(X X X)
7. Interest from Post Office saving A/c	(X X X)
8. Royalty Income	(X X X)
9. Income Tax Refund and Interest on Refund ↳ Taxable under IFOS	(X X X)
10. Share of Profit from HUF (as it is exempt)	(X X X)
11. Share of Profit from Partnership Firm (as it is exempt)	(X X X)

Deduct from here ↓ Taxable under IFOS

12. GST Tax Interest Penalty ⎵allowed⎵ disallowed ⟨ Compensatory - allowed not compensatory - disallowed	(X X X)
13. Profit on sale of Capital Asset ↳ deduct from here , treat in capital Gain	(X X X)
	X X X
Income from Capital Gain	X X X
Income from Other Sources	X X X
Gross Total Income	X X X
(-) Chapter VI - A deduction	(X XX)
Total Income ↓ Calculate Tax Payable	X X X

If Assessee opted Sec 115 BAC

↓

It is a Concessional Tax Regime

so some deductions are not allowed under it

① Additional depreciation

② Sec 35   Contribution to others
→ IIT / National Lab
→ Approved Indian co. engaged in R&D
→ Approved college Institute, university, Research association

social and statistical research
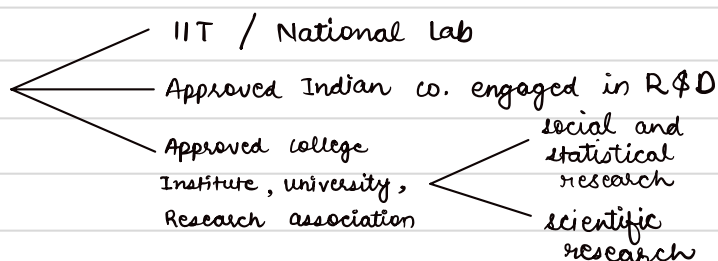scientific research

In house research ⤶

Revenue — 35(1)(i) ↓
and capital   35(1)(iv) allowed

③ Sec 35 AD — Specified Business

④ Sec 10AA — SEZ

- Undervaluation and Overvaluation of Opening & Closing Stock

Op. stock xx	
	Closing stock xx

undervaluation of Closing stock — Add
overvaluation of Closing stock — Less

undervaluation of opening stock — Less
overvaluation of opening stock — Add

- If assessee has opted out of default regime and taken deduction u/s 10AA or 35AD, then check applicability of AMT