

# PUBP

(profits (or) gains from **Business / profession**)

Income from salaries

IFHP

PUBP

Cy

IFOS

Sec 15 - 17

Sec 22 - 27

Sec 28 - 44

Sec 45 - 55

Sec 56 - 59

} Tax Planning

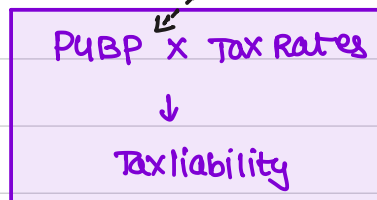
↳ charging section

## Introduction

Akt'd Business



As per Income tax Act, 1961 (Sec 28-44)



## P&L A/C

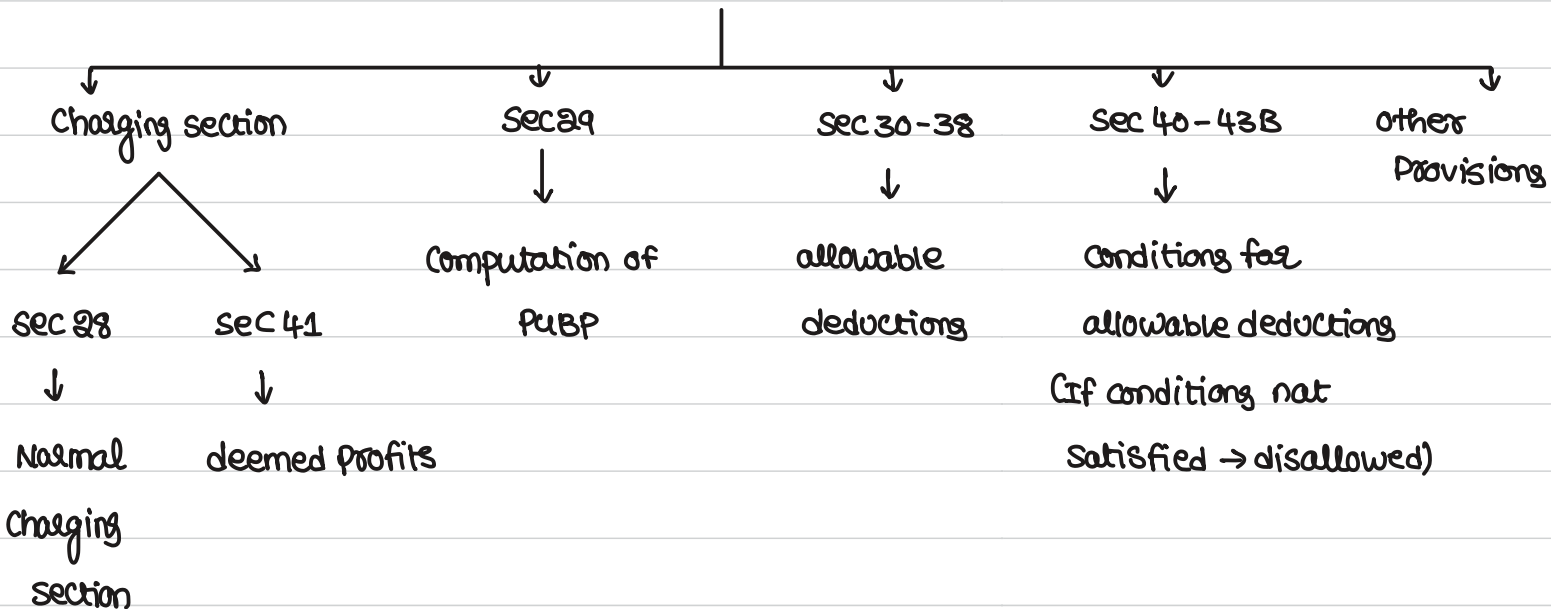
<p><b>a</b> Expenses                      xxx</p> <p style="padding-left: 20px;">Rent - allowed</p> <p style="padding-left: 20px;">Income tax - disallowed</p> <p style="margin-top: 20px;">Net profit                      xxx</p>	<p><b>b</b> Incomes                      xxx</p> <p style="padding-left: 20px;">Rent from HP - disallowed</p>
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additional info

- a. Incomes c
- b.
- c. Expenses d
- d.

PuBP? (sec 28-44)

Net profit/loss as per P&L A/c	XXXX
a (+) Expenses to be disallowed	XXXX
b (-) Incomes to be disallowed	(XXXX)
c (+) Income to be allowed	XXXX
d (-) Expenses to be allowed	<u>(XXXX)</u>
PuBP →	<u>XXXX</u>

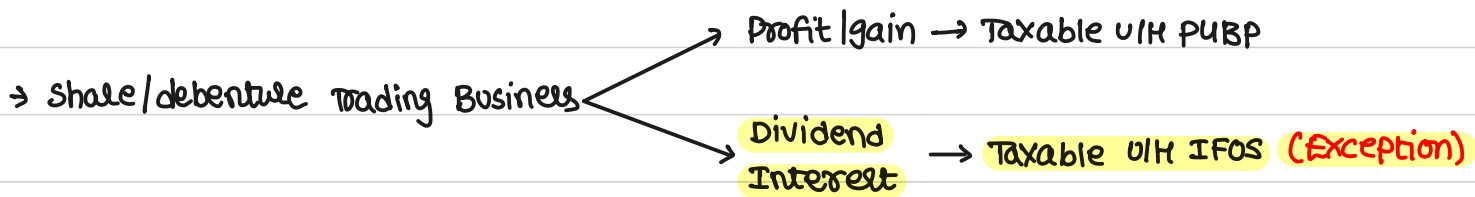


1) Method of Accounting (sec 145)

Cash (or) mercantile } which ever is Regularly followed by Assessee

a) sec 28: charging section

a) Any profit/gain from any Business / professional Activity.

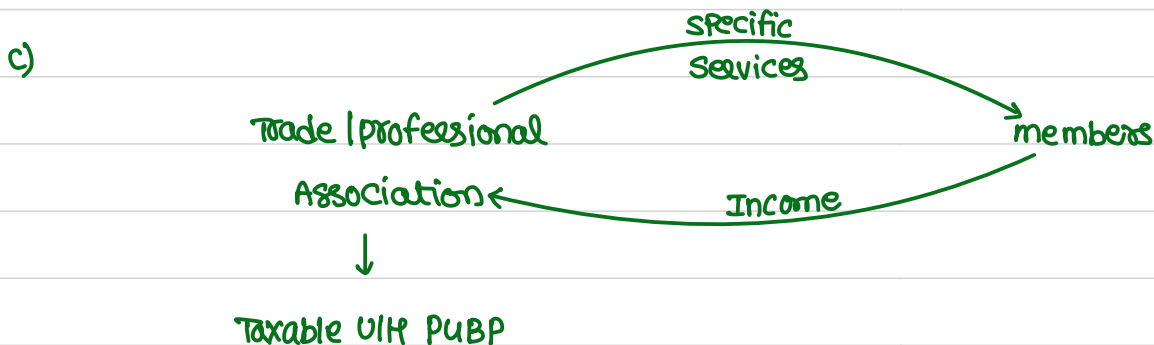


→ winnings are always Taxable U/K I/F/O/S. (Exception)

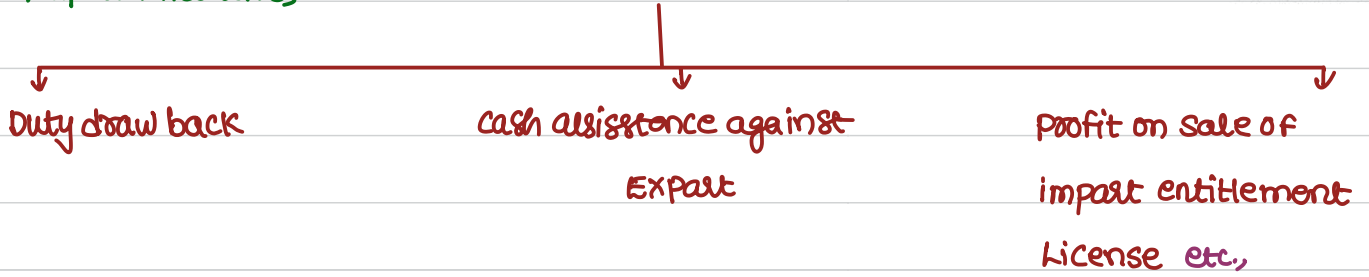
Income from letting out of Residential House (or) a part of House by the owner, shall be chargeable to tax U/K I/F/O/S and not U/K P/B/P

b) any compensation received in connection with Business / profession.

Interest on compensation shall be Taxable U/K I/F/O/S

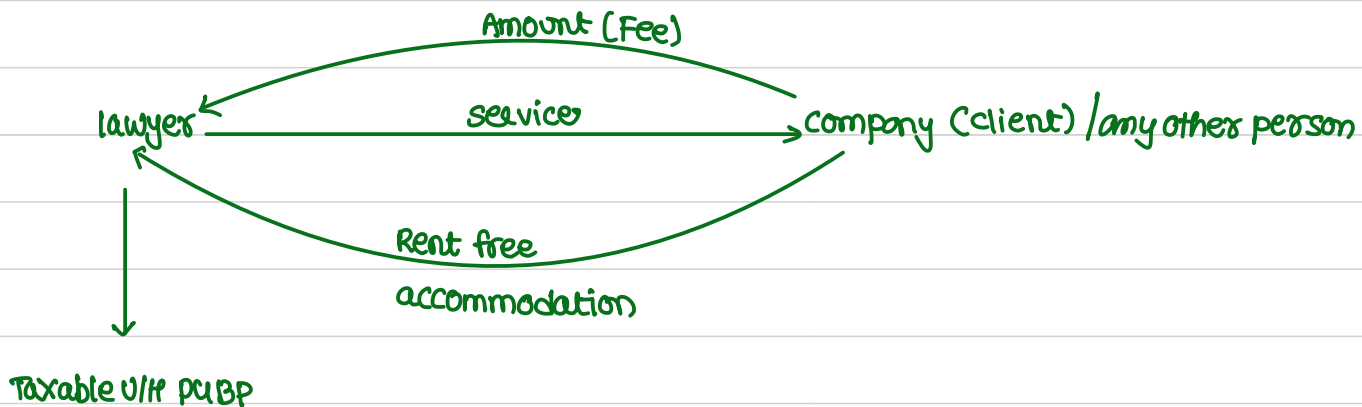


d) Export Incentives

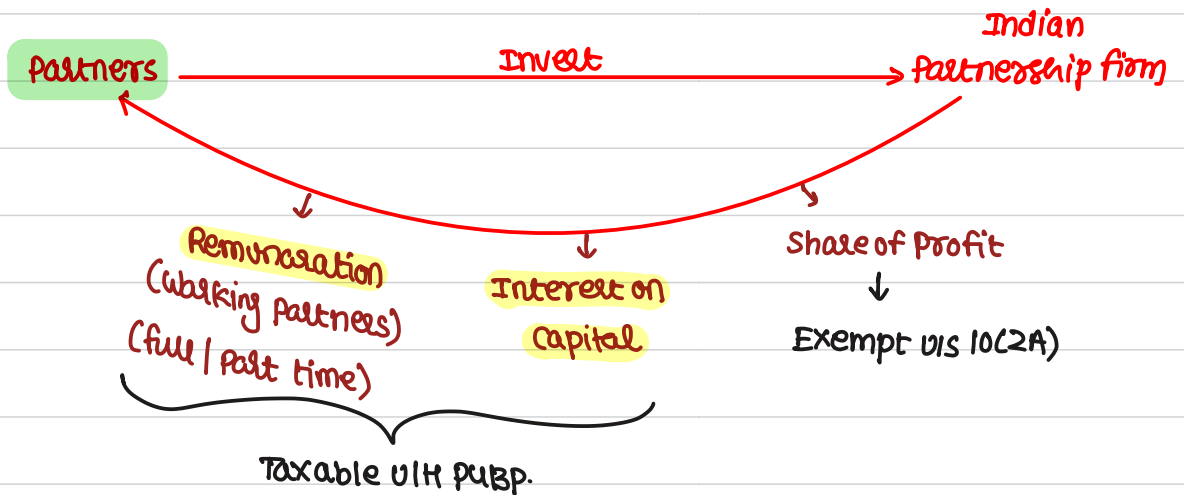


e)

While rendering the professional services



f)



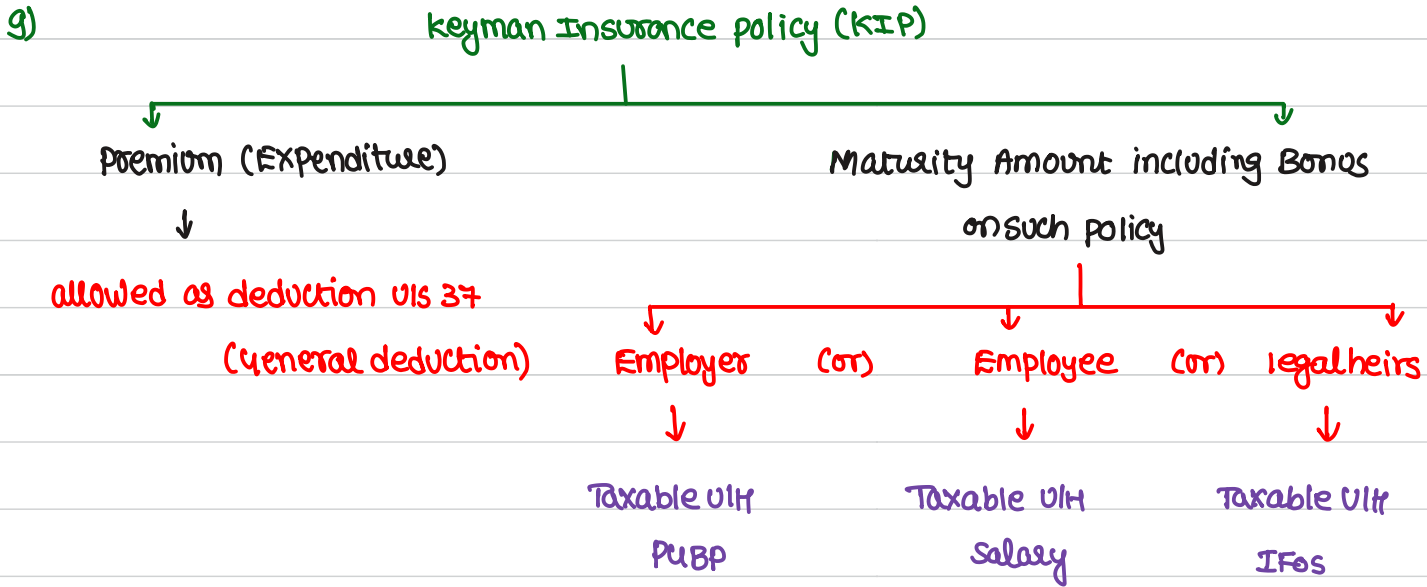
P. Firm P&L/A/C		Partners CPUBP		
Int	3L XXX	A	B	C
Remuneration	XXX 6L			
NP ↓	XXX			

subject to Sec 40b

P. Firm	↔	Partners
EXPENSES		Income
(N-Taxable)		(Taxable)

Partners CPUBP: Int 3L, Remuneration 6L

Interest, Salary, Bonus, Commission (Or) Remuneration Received by Partners from P-Firm is **taxable** UIt PUBP to the extent it was **allowed** as deduction in the hands of P-Firm UIt 40b.



h) **Real estate business**

SIT	SIT
SIT	SIT
SIT	SIT
SIT	

SIT

FMV

X  
1/1/25

CA

PUBP = FMV of SIT as on the date of conversion

office purpose

i) **Any sum Received / Receivable (kind/cash)**

Not to carrying out activity in relation to business (Non compete Fees)

Not to sharing any know-how, Patents, copy Rights, trademark, license etc.

J) Any sum received in respect of a capital asset which has been discarded, demolished, destroyed (or) transferred for which deduction vis 35AD has been Allowed.

**Specified business vis 35AD**

MRA "Hospital - 100 bed capacity"

Purchased - P&M @ 1cr

PY 24-25	
Deduction	1cr
vis 35AD	
NP ↓	

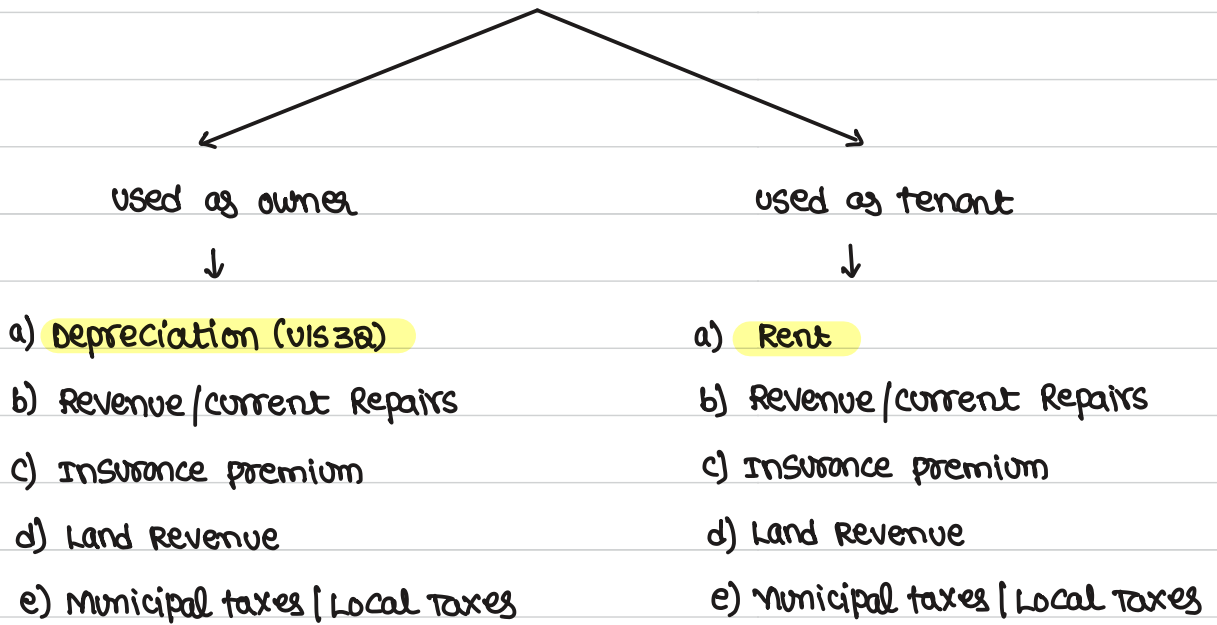
PY 25-26	
NP ↑	Any sum Received (sec 28)
	xxx

By way of discarded, demolished, destroyed (or) transferred.

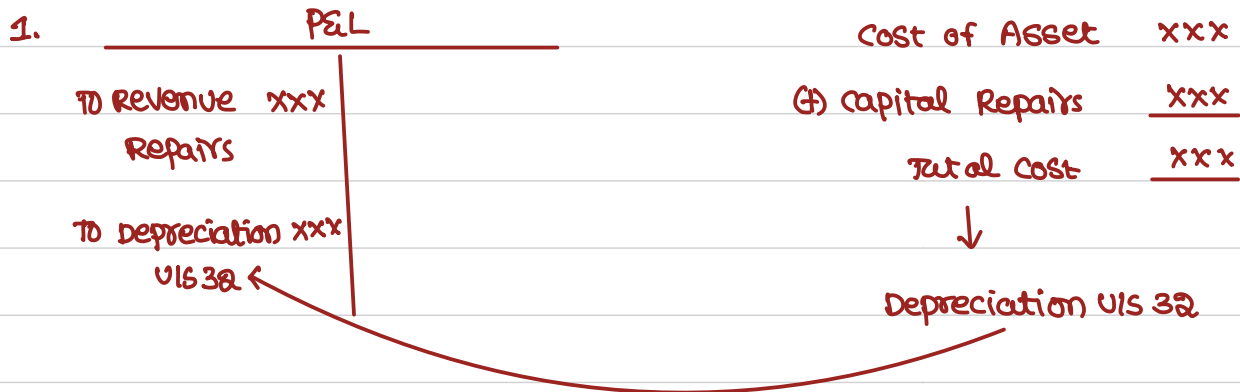
**3) sec 29: computation of PGBP**

According to sec 29, PGBP is to be computed in accordance with provisions of sec 30-44.

4) Sec 30: Expenses related to Building used for B/P



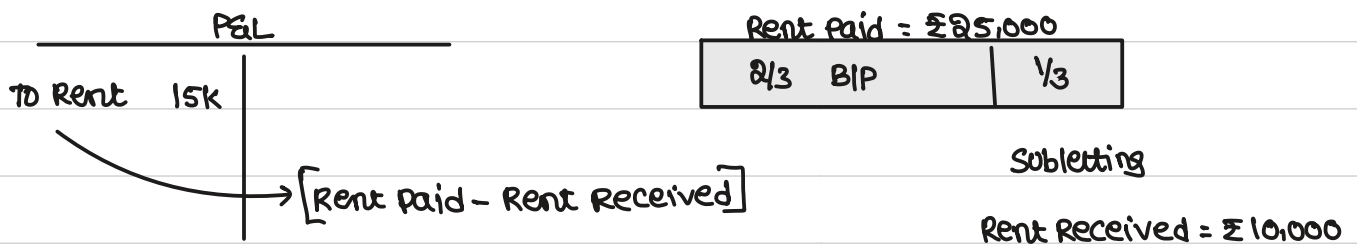
Note:



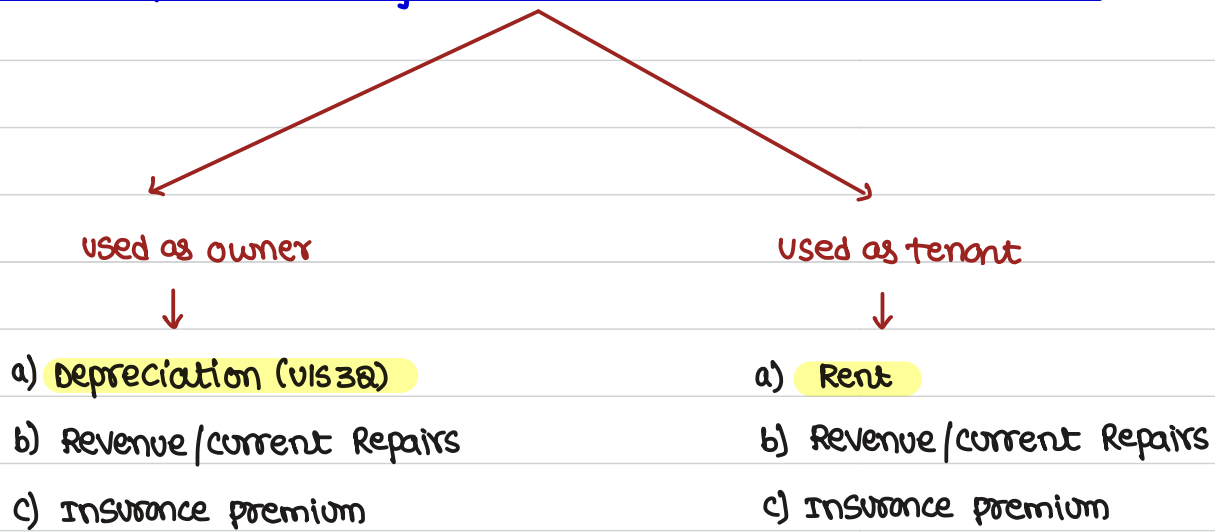
2. Sole proprietorship concern paid any Rent to sole proprietor not allowed as deduction.

3. P.Firm paid Rent to partners is allowed as deduction

4. In case of subletting

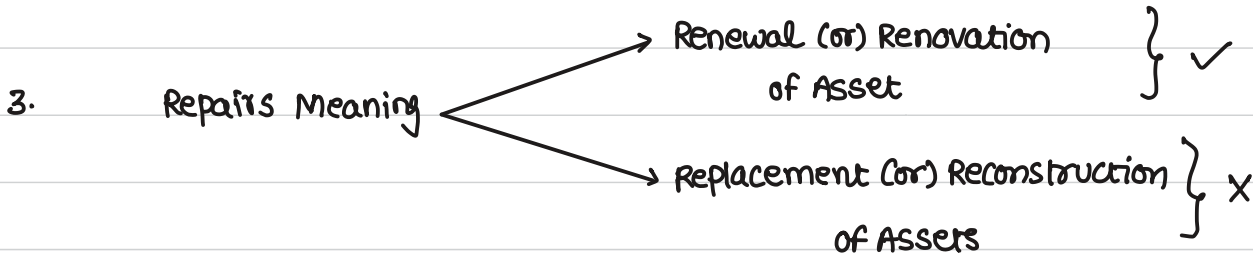


5) sec 31: Expenses relating to P&M and furniture used for BIP

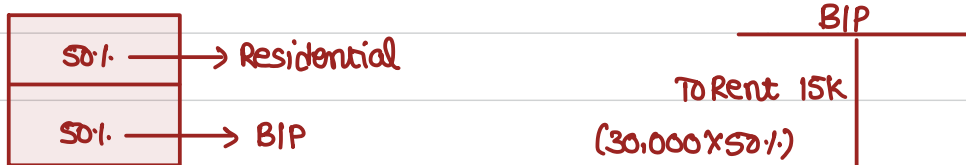


1. capital repairs shall not be allowed as deduction, but depreciation on such repairs will be allowed as deduction vis 32.

2. Even if asset used for a part of previous year, the assessee shall entitled to get full Amount of expenses on repairs / Insurance premium etc will be allowed as deduction.



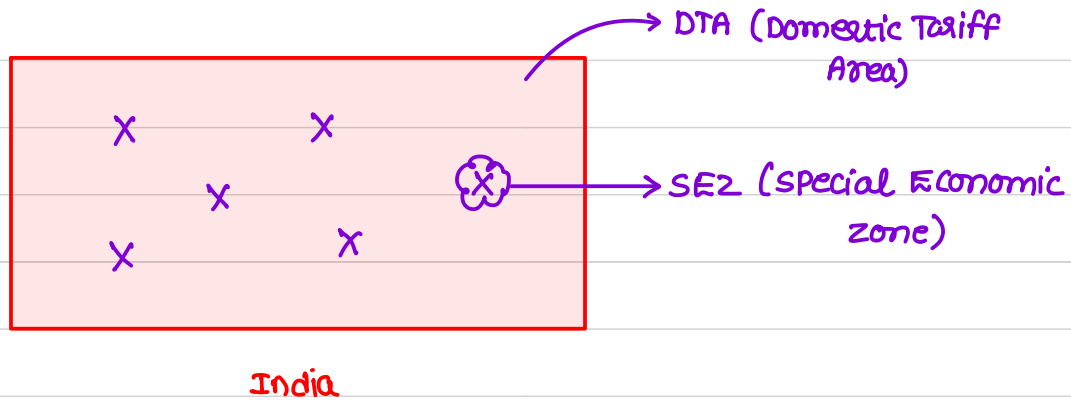
6. sec 38: proportionate Amount of deduction



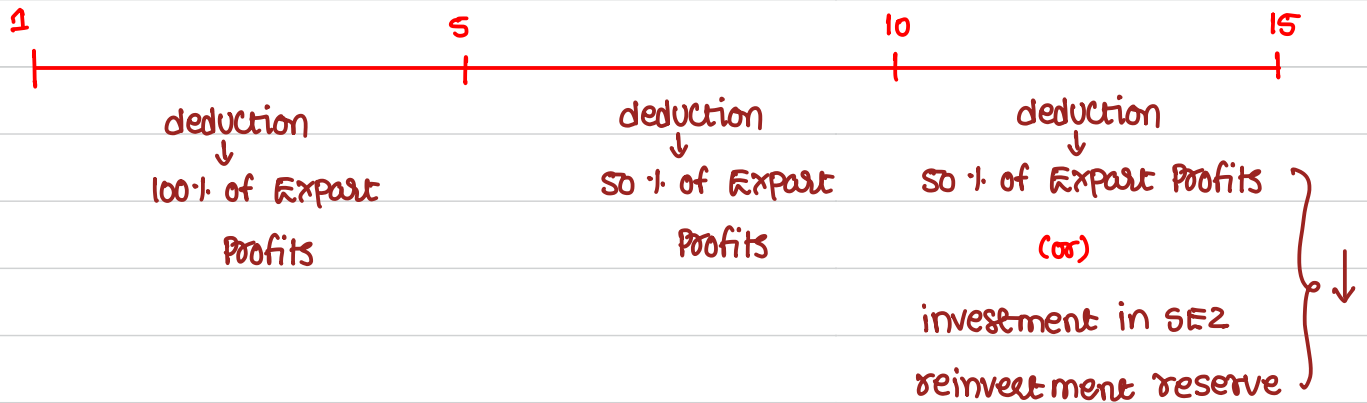
Total Rent = 30,000

Asset partly used for personal purpose & partly for business purpose ⇒ then proportionate part of Expenditure attributable to BIP will be allowed as deduction.

7) Sec 38: Depreciation



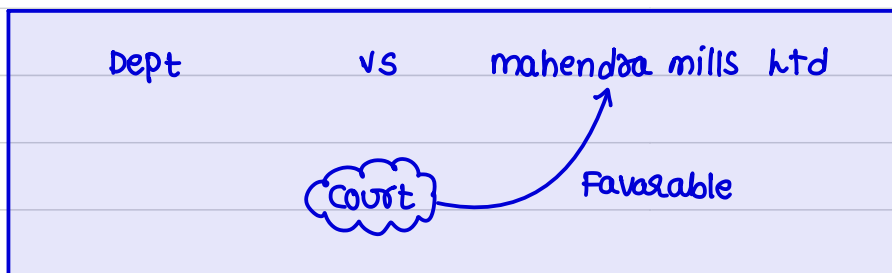
SEC 10AA



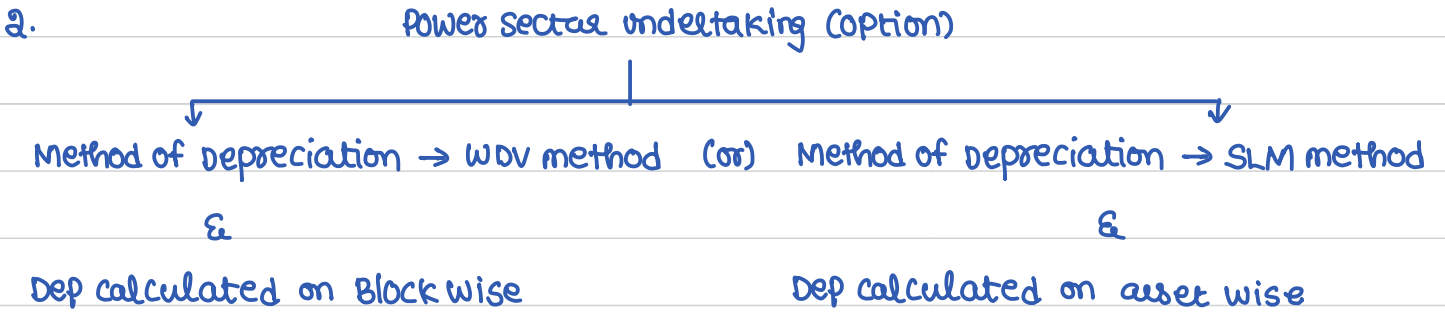
Mahendra Mills Ltd → located in SEZ

Purchased P&M 1cr (P&M @ 15%)

1 to 5 <sup>th</sup> year		6 <sup>th</sup> year	
TO DEP -		TO DEP 15L	
TO NP↑		TO NP↓	



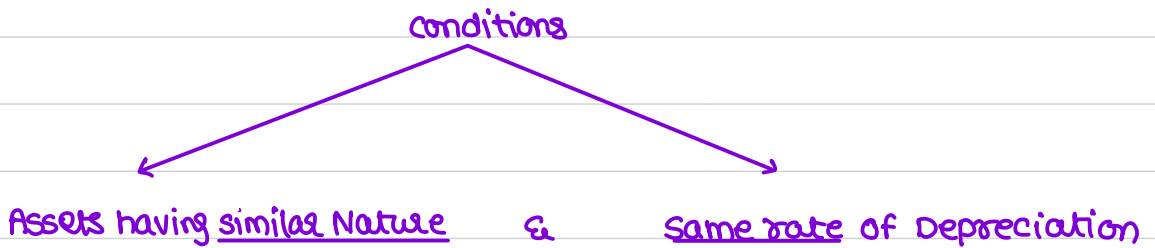
1. It is mandatory to claim depreciation (in order to nullify the judgement given in Mahendra Mills Ltd case).



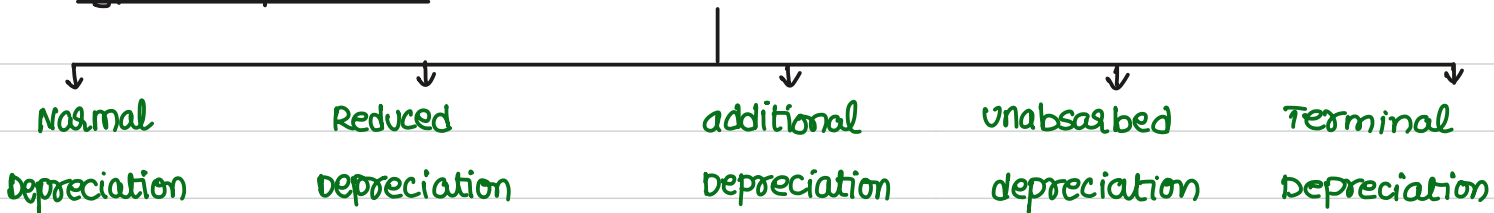
3. Depreciation shall be calculated on "block wise" [Except for power sector undertakings.]

4. Method of depreciation is "WDV method" [Except for power sector undertakings.]

5. Block of Assets



6. Types of Depreciation



7. conditions for claiming depreciation

The Assessee must be owner of such Asset

&

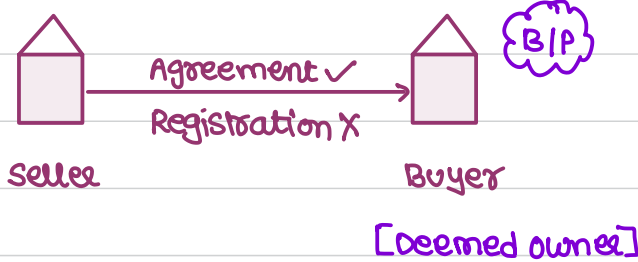
Such Asset shall be used for B/P

Exceptions

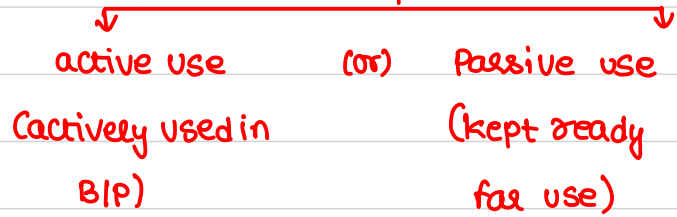
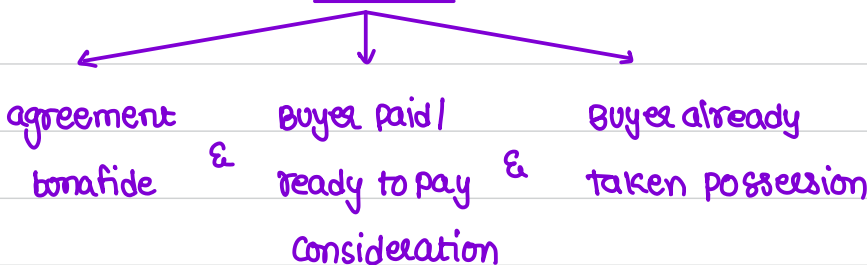
1. The Assessee incurred only capital expenditure on such leased property as tenant.

2. Asset acquired by Assessee under hire purchase / Installment basis.

3. Purchase covered under sec 53A of transfer of properties Act (Post performance of contract)



conditions

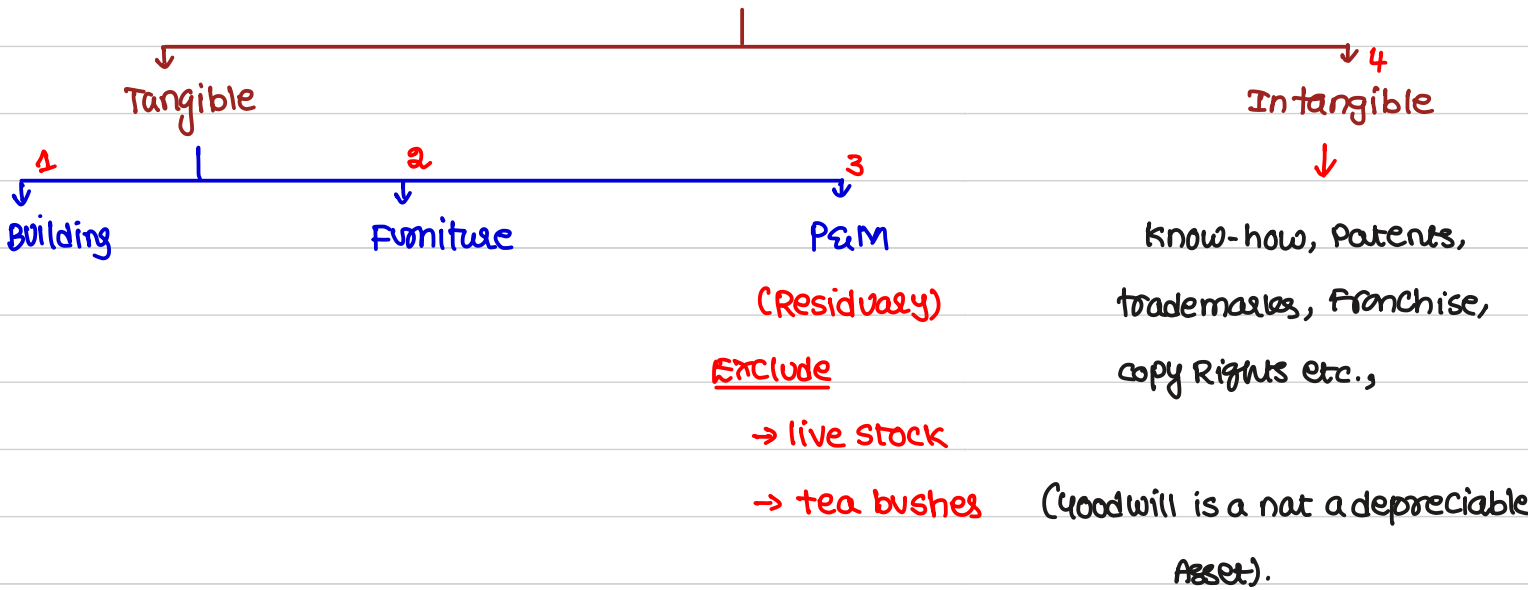


Examples for passive use:

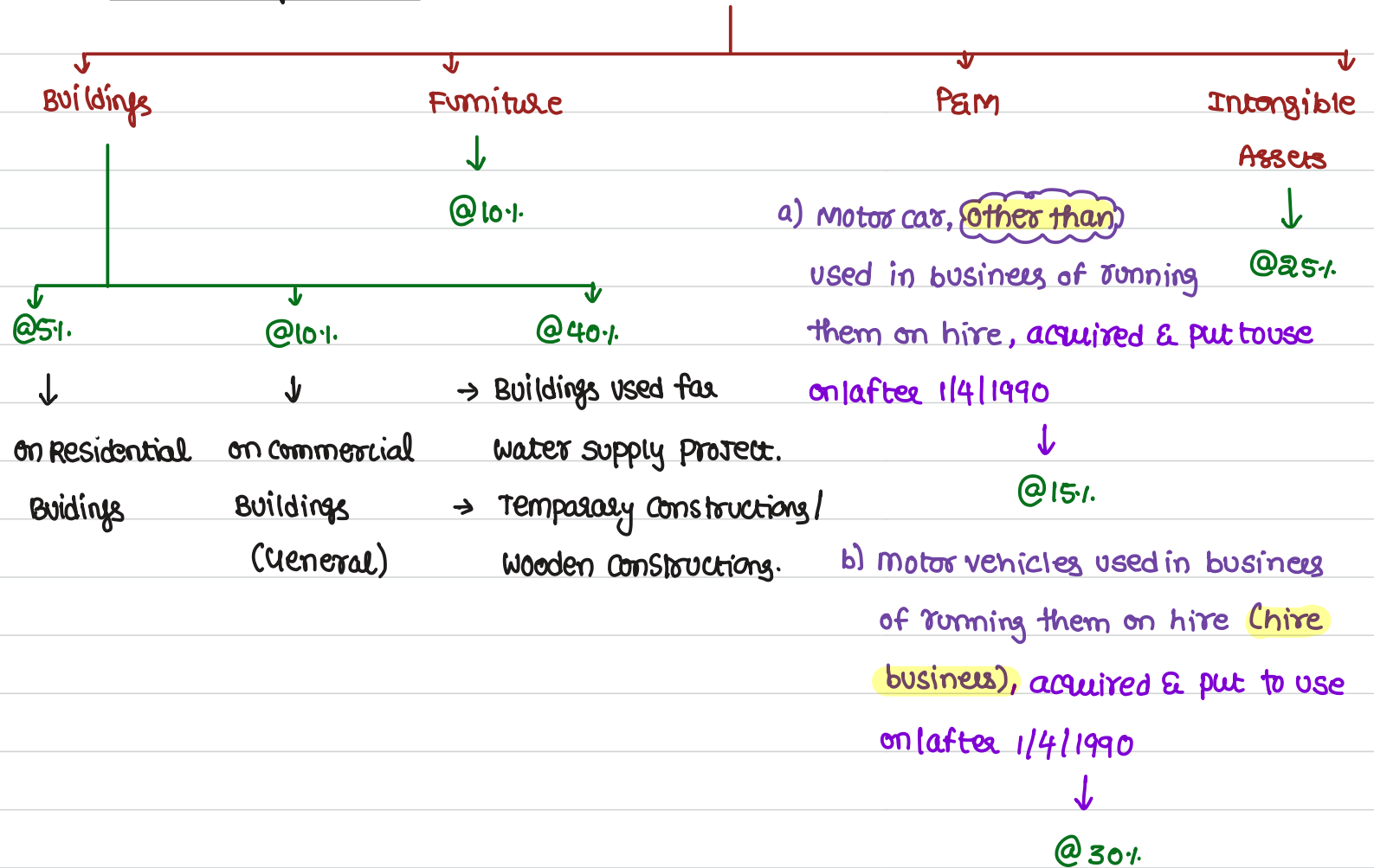
- ✓ Assets remaining idle during lockouts, strikes etc
- ✓ Assets installed but not actually used.
- EX: fire extinguishers, generators etc.,

4. Joint ownership / coownership is also sufficient to claim depreciation.

8. Classification of Assets (Nature of Assets)



9. Rates of depreciation:



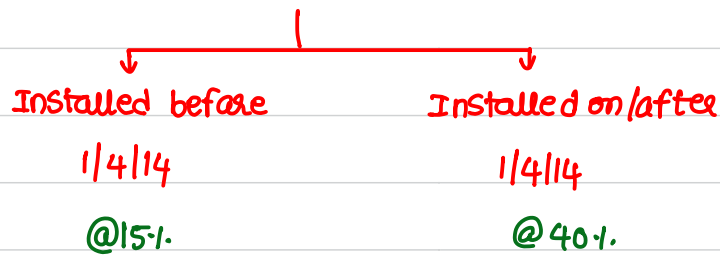
- c) Aero planes & Aero Engines  
 life saving medical equipments  
 computer including computer software  
 air pollution control equipment  
 energy saving devices  
 Books (including professional books)  
 oil wells

@40%

d) moulds - 30%

e) Ships & vessels - 20%

f) windmills

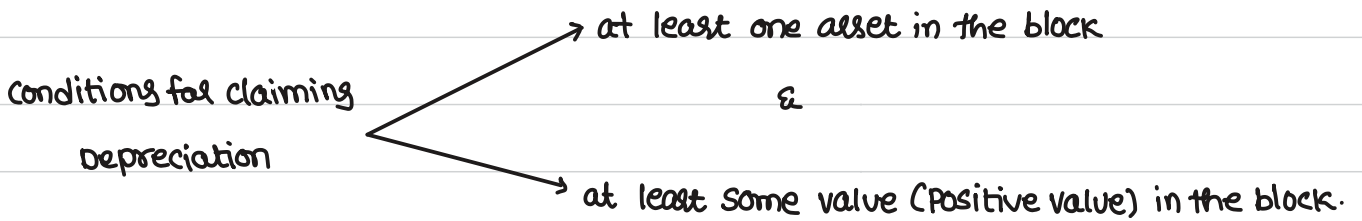


g) General case - 15%

<u>Examples</u>	<u>Rate</u>	<u>Nature</u>	<u>Blocks</u>
1 Computer	40%	P&M	P&M @ 40% → 1, 3
2 CAR	15%	P&M	P&M @ 15% → 2
3 BOOKS	40%	P&M	Building @ 5% → 5, 8
4 furniture	10%	F	Building @ 10% → 7
5 Building	5%	Building	Furniture @ 10% → 4
6 IT Asset	25%	ITA	ITA @ 25% → 6
7 Building	10%	Building	
8 Building	5%	Building	

10. WDV Format (Sec 43(6))

		<u>Block 1</u>		<u>Block 2</u>		<u>Block 3</u>
		<u>P&amp;M@15%</u>		<u>Building@10%</u>		<u>ITA@25%</u>
opening WDV (old Assets)	10	1,00,000	15	1,50,000	5	50,000
(+) cost of additions (New asset)	1	60,000	5	50,000	1	10,000
(-) money Receivable on sale	(9)	(2,00,000)	(20)	(90,000)	(3)	(20,000)
		<hr/>		<hr/>		<hr/>
depreciable value	2	-	-	1,10,000	3	40,000
		<hr/>		<hr/>		<hr/>
(-) depreciation u/s 32		-		-		(10,000)
closing WDV		<hr/>		<hr/>		<hr/>
		-		-		30,000



If not satisfied both| any one of conditions



calculate capital gain u/s 50

(capital gain on depreciable CA)

[Sec 32 & Sec 50 are mutually Exclusive]

Computation of CG u/s 50

	<u>Block 1 (P&amp;M@15%)</u>	<u>Block 2 (Building@10%)</u>
sale consideration	2,00,000	90,000
(-) CGA		
opening WDV	(1,00,000)	(1,50,000)
cost of additions	<u>(60,000)</u>	<u>(50,000)</u>
STCL	40,000	STCL (1,10,000)

11)

Reduced depreciation

(50% of Normal depreciation)



<u>1<sup>st</sup> year</u>	<u>2<sup>nd</sup> year</u>
< 180 days → half	Always full
≥ 180 days → full	depreciation

Example S&Co, sole proprietorship concern owns six machineries, put to use for business in march 2024. The depreciation on these machineries @15%. The opening balance of these machinery after providing depreciation for PY 24-25 was ₹8,50,000. Three of these old machineries were sold on 10<sup>th</sup> June, 2025 for ₹11,00,000. A second hand plant was bought for ₹8,50,000 on 30<sup>th</sup> Nov, 2025.

You required to compute:

1. determine the claim of depreciation for AY 26-27
2. compute capital gain for AY 26-27
3. If S&Co had sold three old machinery in June, 2025 for ₹1,00,000, will there be any difference in above computations? Explain.

Answer

1. computation of dep for Ay 26-27

particulars		Amount
opening WDV as on 1/4/25	6	8,50,000
(+) cost of additions (< 180d)	1	8,50,000 *
(-) money Receivable on sale	(3)	(11,00,000)
Depreciable value	4	6,00,000
(-) Depreciation		
		$(6,00,000 \times 15\% \times 50\%)$
		<u>(45,000)</u>
closing WDV		<u>5,55,000</u>

2. In this given case capital gain vis 50 will not arise, as the block of Asset continues to exist. (sec 32 - Depreciation applicable).

3. computation of dep for Ay 26-27

particulars		Amount
opening WDV as on 1/4/25	6	8,50,000
(+) cost of additions (< 180d)	1	8,50,000 *
(-) money Receivable on sale	(3)	(21,00,000)
Depreciable value	4	-
(-) Depreciation		-
closing WDV		-

If depreciation vis 32 not applicable, then automatically we have to apply sec 50.

computation of CY vis 50

particulars	Amount
sale consideration	21,00,000
(-) <u>cost of acquisition</u>	
opening WDV	(8,50,000)

cost of additions

(8,50,000)

STCY

4,00,000

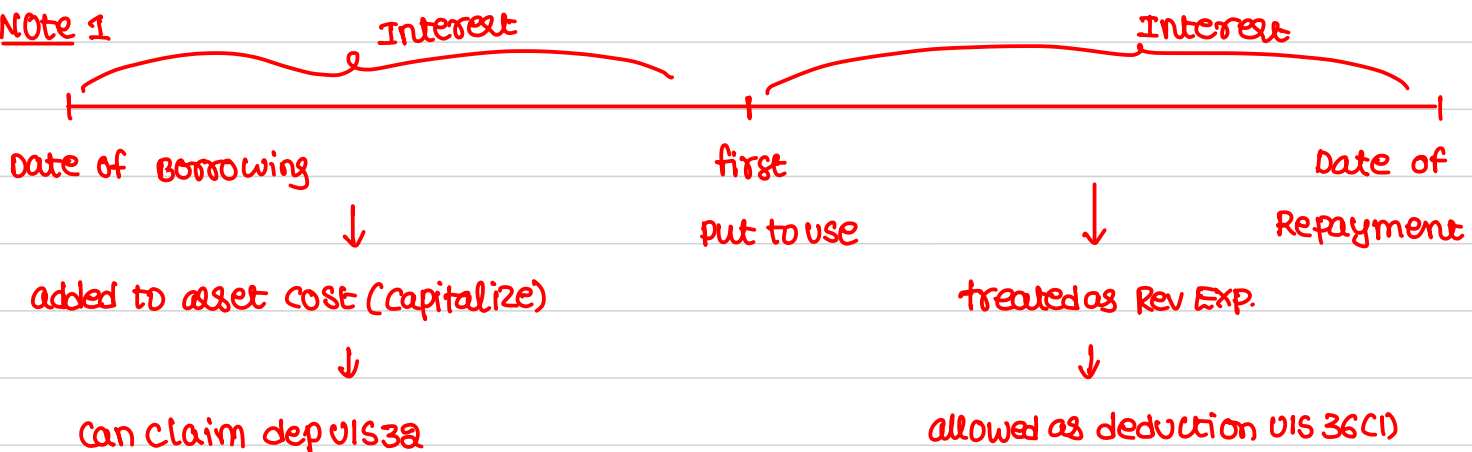
12) cost of additions



a) General case

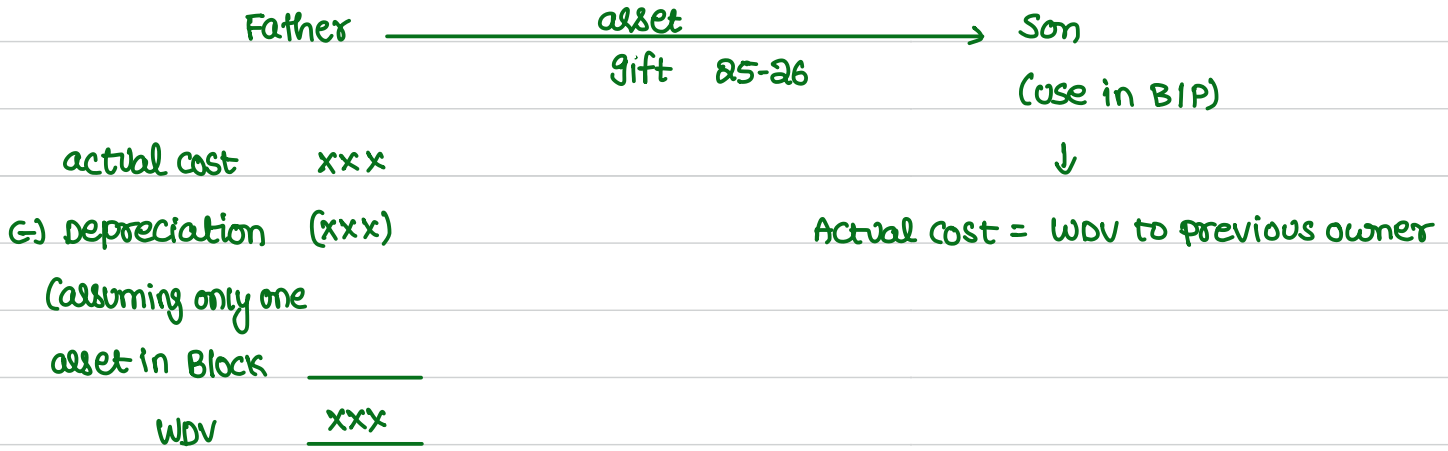
Cost of Assets	XXXX	10L
(+) Taxes / Duties (if not Recoverable)	xxx	1L
(+) loading charges	xxx	30K
(+) Transportation charges	xxx	50K
(+) unloading charges	xxx	5K
(+) Installation charges	xxx	33K
(+) Insurance premium	xxx	5K
(+) Interest on Borrowed capital for Purchase of Asset (upto the date of first put to use) (Note)	xxx	35K
(-) subsidy / grant	(xxx)	(1L)
Cost of asset	<u>xxx</u>	<u>11.58L</u>

Note 1

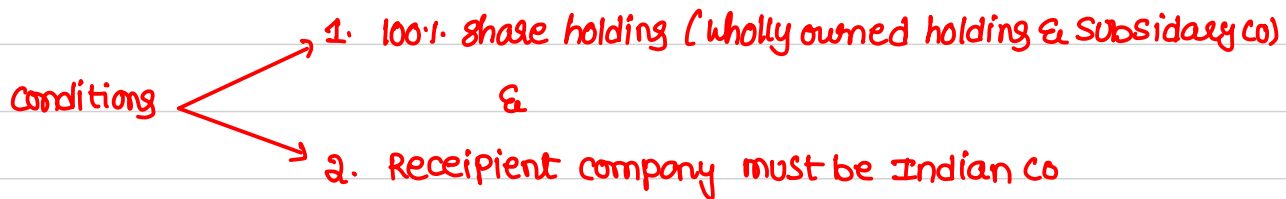




3. asset acquired by way of gift/will/Inheritance

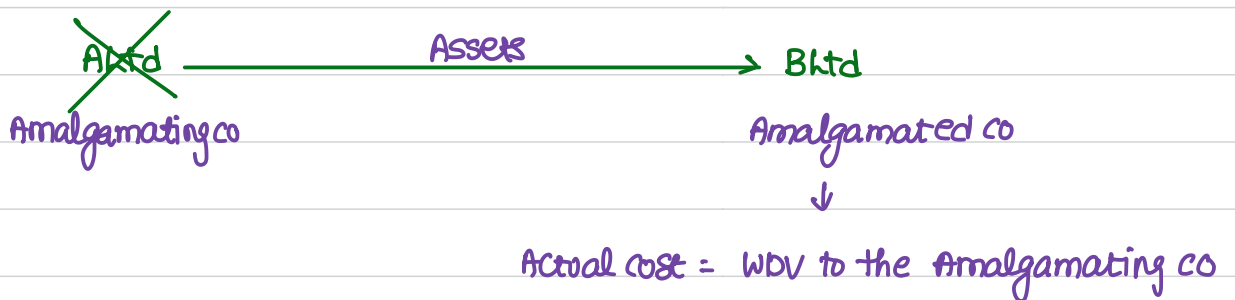


4. Asset transferred by Holding co  $\rightarrow$  Sub co (or) Subsidiary co  $\rightarrow$  Holding co

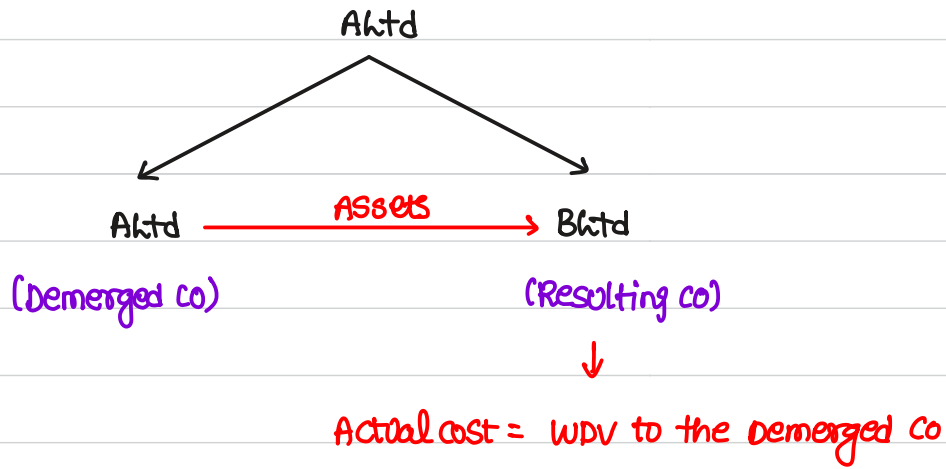


Actual cost = WDV to the transferred co

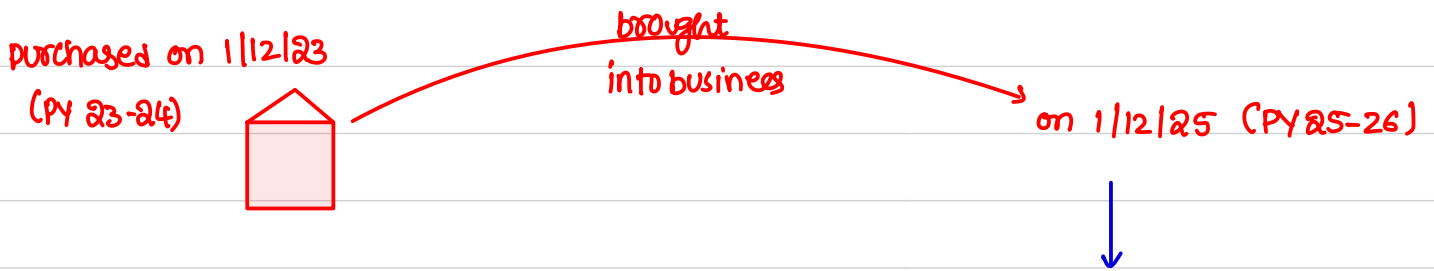
5. Asset transferred under scheme of Amalgamation



6. Asset transferred under scheme of Demerger



7. Building brought into business & earlier used for personal purpose



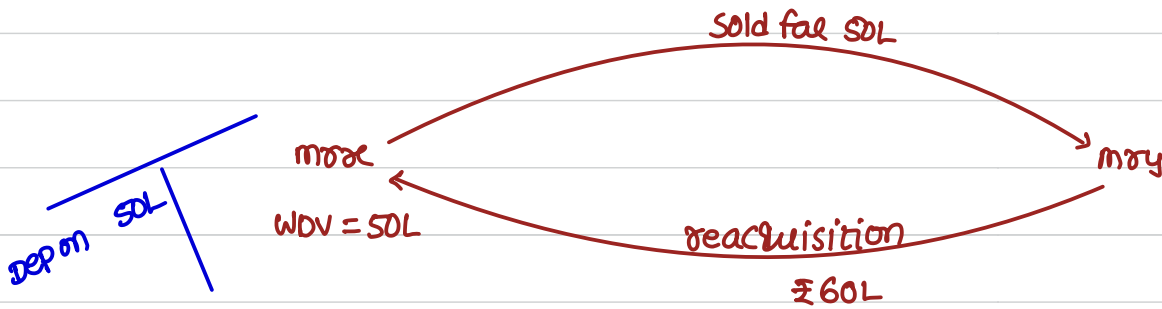
Actual Cost	10,00,000
(-) Notional dep (PY 23-24)	(50,000)
(10L x 10% x 50%)	9,50,000
(-) Notional dep (PY 24-25)	(95,000)
(9.5L x 10%)	8,55,000
OP WDV as on 1/4/25	8,55,000

Actual cost = WDV i.e 8,55,000

Depreciation u/s 32 = 8,55,000 x 10%

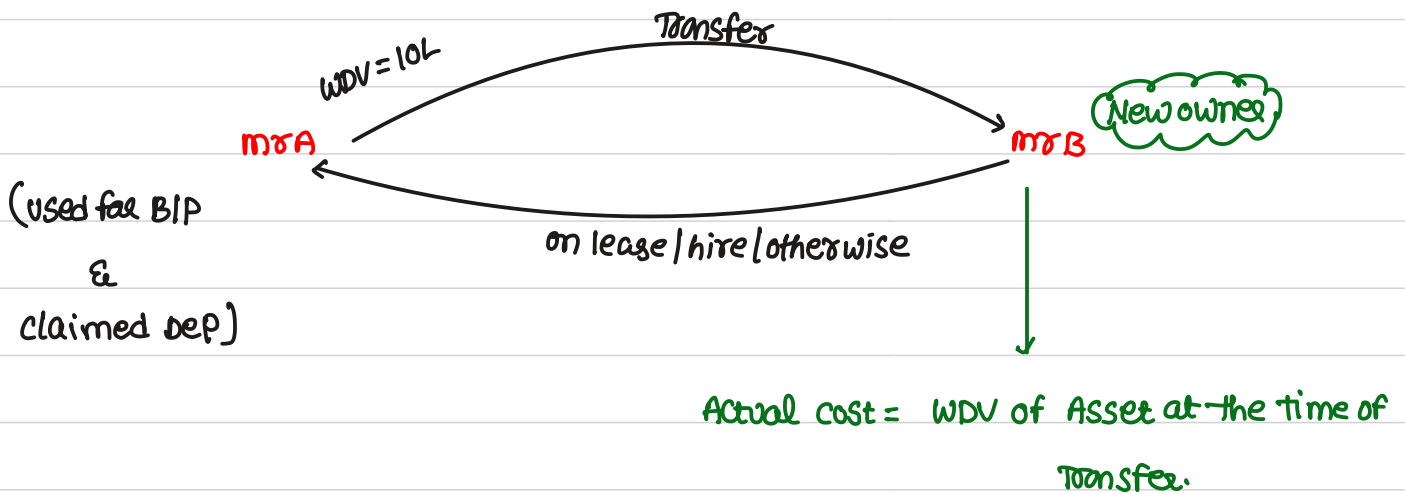
(Old Asset) = 85,500

8. Asset earlier transferred & reacquisition by Assessee



$$\text{Actual Cost} = \begin{matrix} \text{original cost} & \text{or} & \text{actual price for reacquisition} \\ \text{SDL} & & \text{₹60L} \\ \text{SDL} & & \end{matrix} \downarrow$$

9. acquisition of Asset previously owned by person to whom such Asset is given on lease (or) otherwise.



10. Asset purchased from third party using that asset for BIP, with view to claim enhanced depreciation.

↓

Actual cost = Actual cost will be determined by Ao with approval of JC

11. Interest relating to post acquisition period (after put to use)

Interest related to period after put to use is treated as Revenue expenditure. (not included in actual cost)

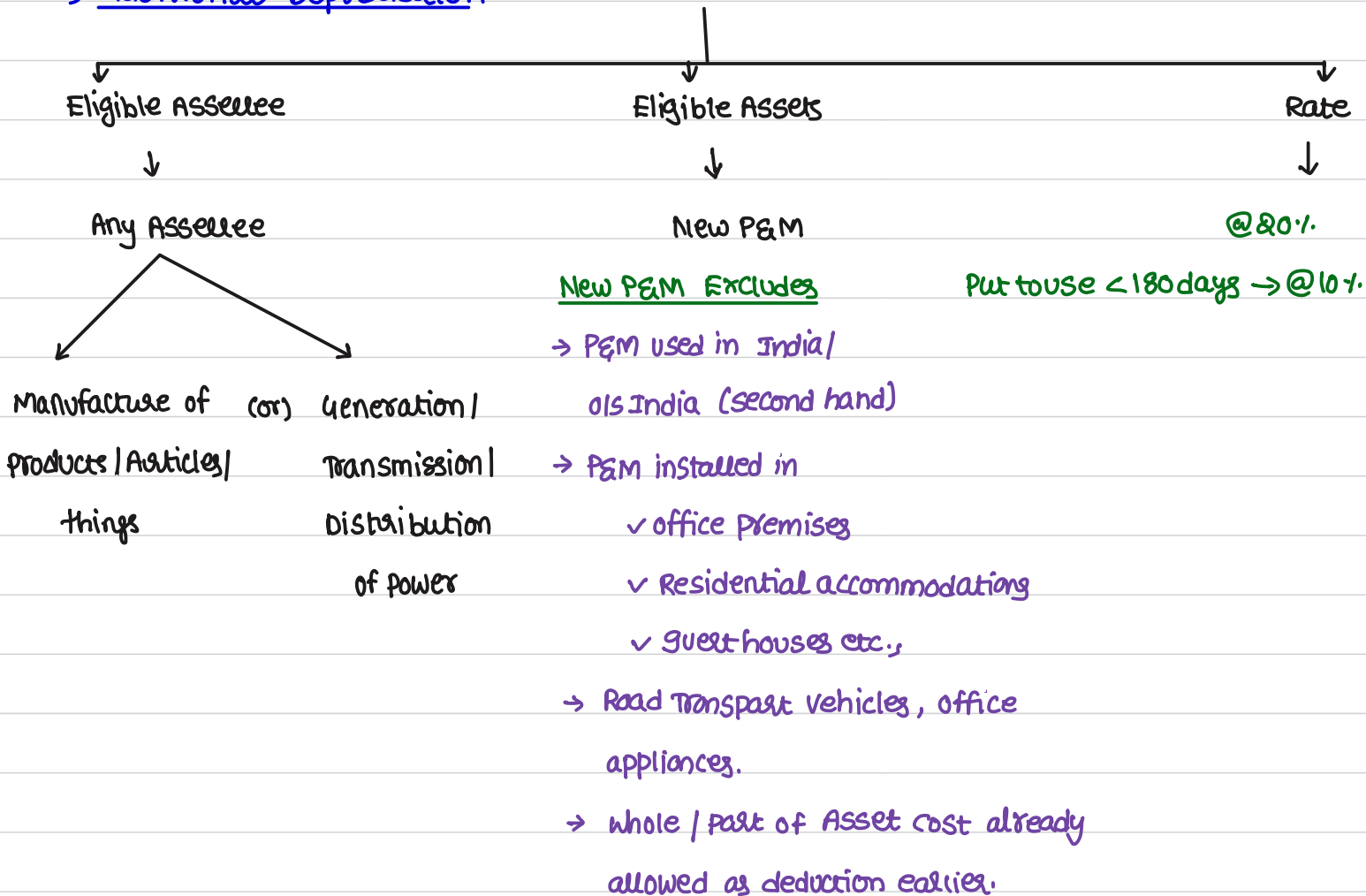
12. Asset acquired, where portion of cost met by some other person

Actual Cost - cost met by some other person

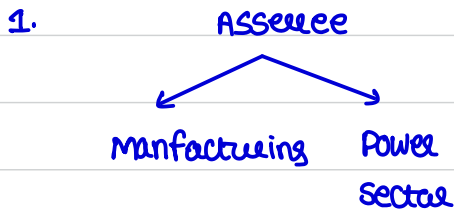
13. Asset acquired by Non Resident from o/s India but brought into India for BIP Purpose [Second hand Asset]

Actual Cost - Depreciation that would have been Allowable in India

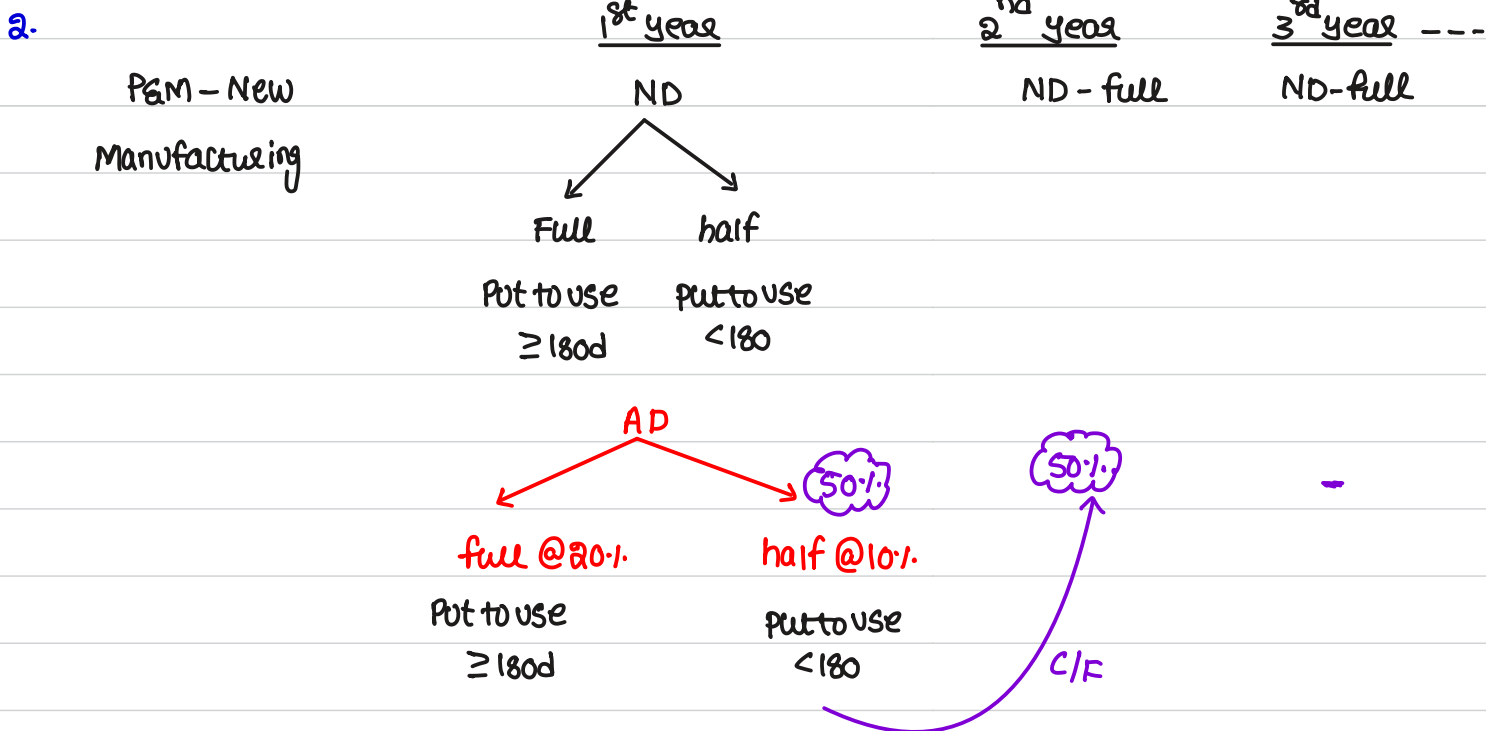
13) Additional depreciation



Note:



ND	ND	ND <del>AD</del>	ND
A	A	A	A
		(Building-New)	
ND	ND+AD	ND	ND
A	A	A	A
	(P&M-New)		



The balance 50% of additional depreciation shall be allowed as deduction in immediately succeeding FY. (Not available in case of Normal depreciation)

3.

	Normal Tax Rates	VIS/BAA/BAB BAD/BAE
Normal depreciation	✓	✓
Additional depreciation	✓	X

(4) unabsorbed depreciation

a) Inufficient Profits

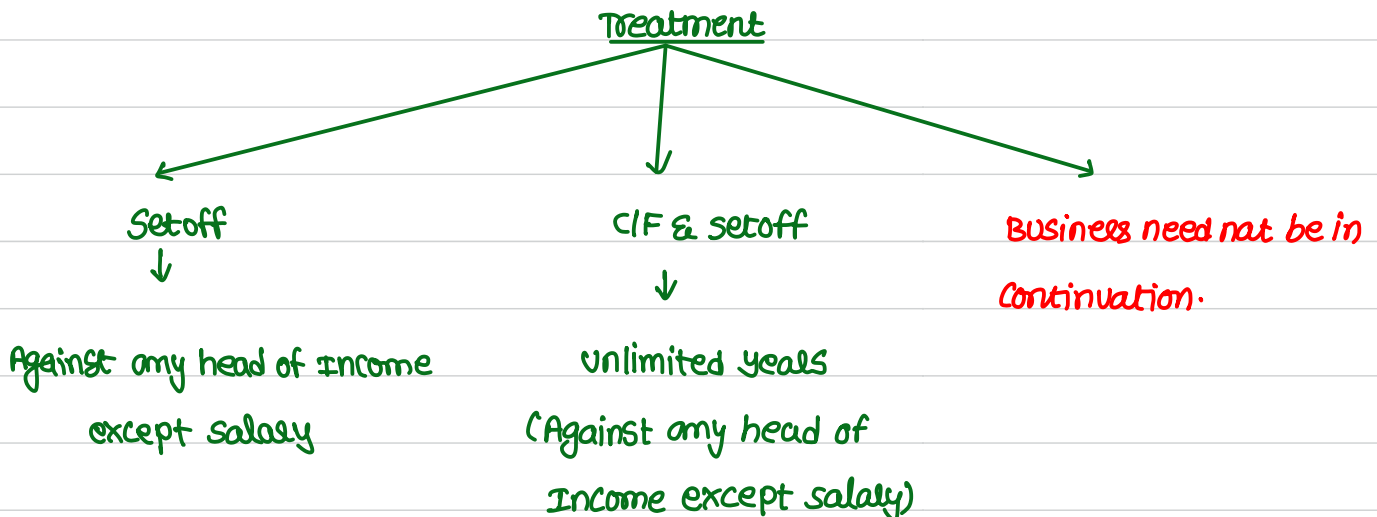
T. P&L A/c			
TO EXP	18L	by sales	20L
(before dep)			
TO Dep	2L		
(B/f)			
	<u>20L</u>		<u>20L</u>

$$\begin{aligned} \text{Depreciation vis 32} &= 10,00,000 - 2,00,000 \\ &= 8,00,000 \text{ unabsorbed dep} \end{aligned}$$

b) No profits

T. P&L A/c			
TO EXP	24L	by sales	20L
(before dep)			
		by loss	4L
		(b/f)	
	<u>24L</u>		<u>24L</u>

$$\text{Depreciation vis 32} = 10,00,000 \text{ (unabsorbed dep)}$$

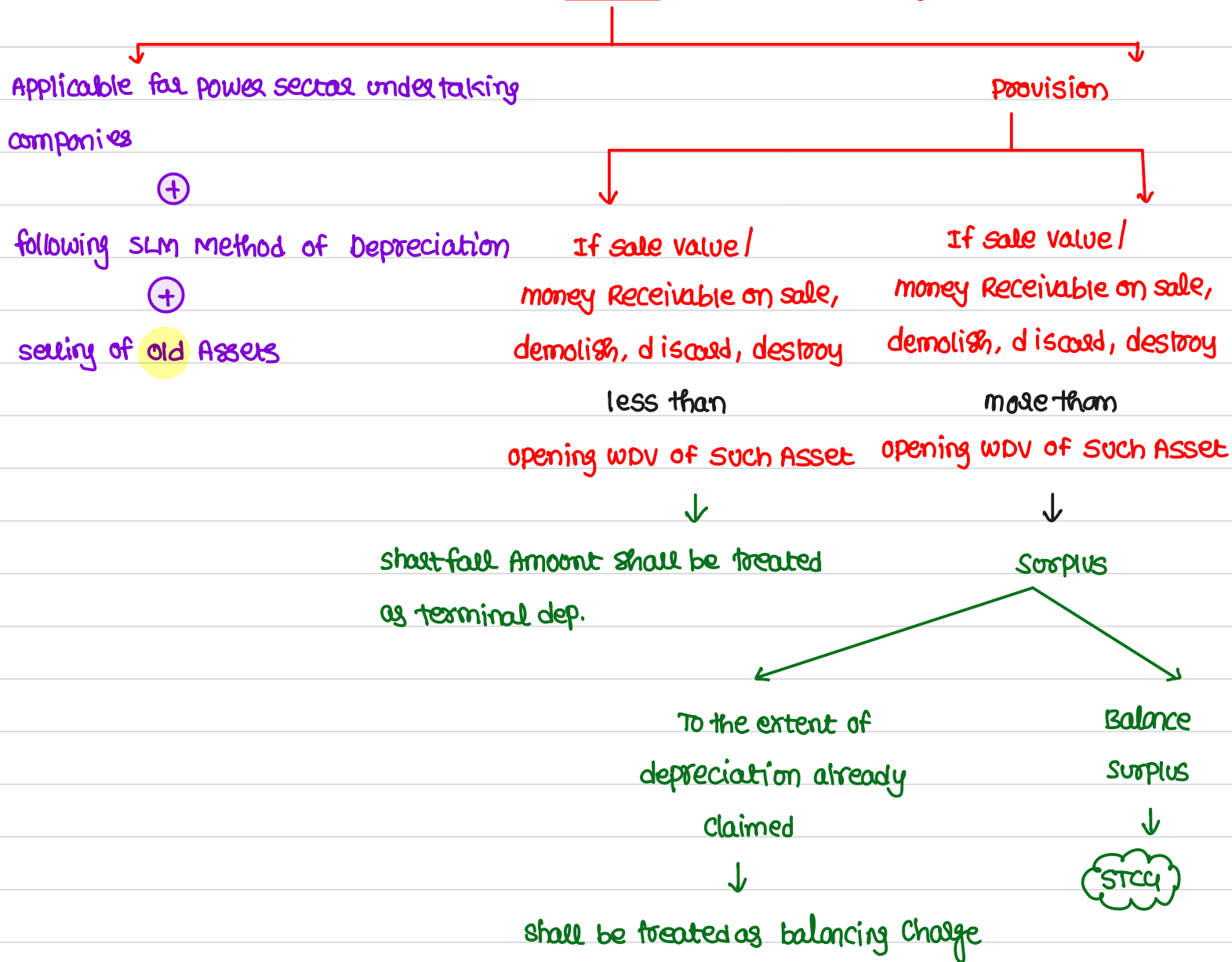


Order of priority

PUBP Income	xxx
Less: current year depreciation	(xxx)
Less: Business loss (CIF - 3AY)	(xxx)
Less: unabsorbed depreciation (CIF - Unlimited)	<u>(xxx)</u>
	<u>xxx</u>

15) Terminal depreciation

sec 50A: sale assets used by power sector undertaking co



Example ABC Ltd (power sector undertaking co)

Actual cost = ₹100

Rate of depreciation = 10% SLM

In the third year sold for a) ₹72      b) ₹89      c) ₹117

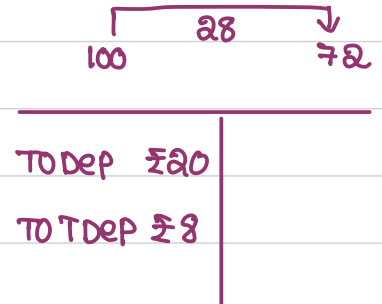
W.N. opening WDV for 3<sup>rd</sup> year

actual cost	100
↳ dep 1 <sup>st</sup> year	<u>(10)</u>
	90
↳ dep 2 <sup>nd</sup> year	<u>(10)</u>
	<u>80</u>

a) Tax treatment, if sale value ₹72 (sale value < opening WDV)

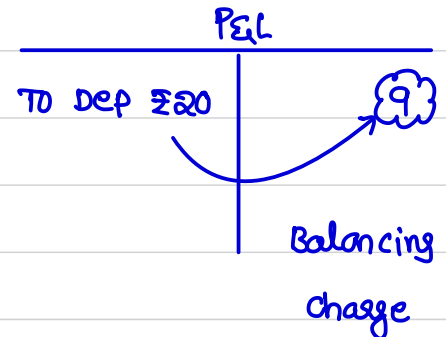
sale value	₹72
↳ opening WDV	<u>(₹80)</u>
loss [P&L Dr]	<u>8</u>

↳ Terminal dep



b) Tax treatment, if sale value ₹89 (sale value > opening WDV)

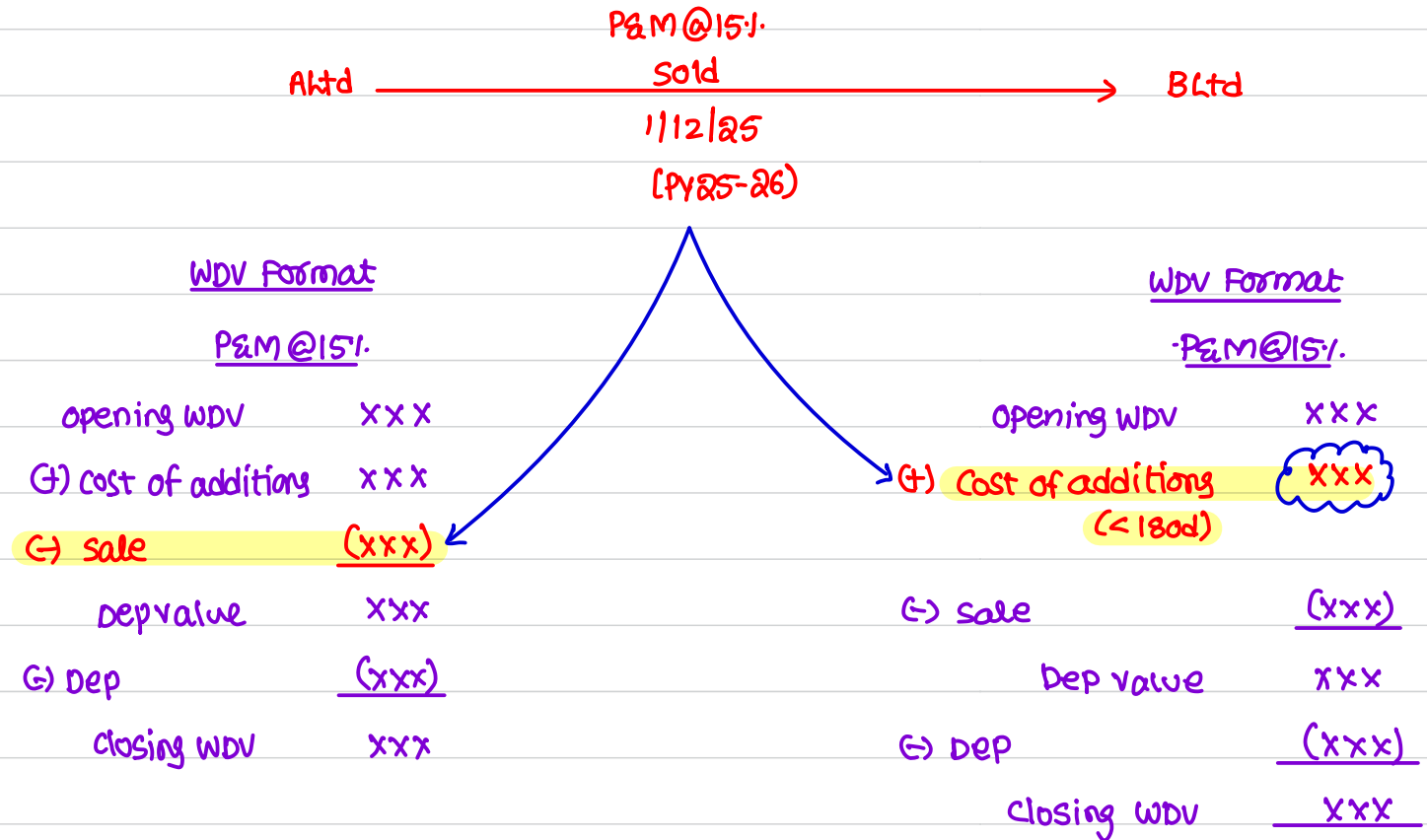
sale value	₹89
↳ opening WDV	<u>(₹80)</u>
[P&L Cr] Profit	9



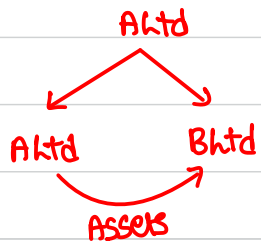
C) Tax treatment if sale value is ₹117 (sale value > op. WDV)



16) Apportionment of depreciation:



apportionment of dep can be done in



1. Amalgamation
  2. Demerger
  3. Conversion of SOP x Company
  4. Conversion of P-Firm x Company
  5. Pvt Co P x LLP
- unlisted Public Co



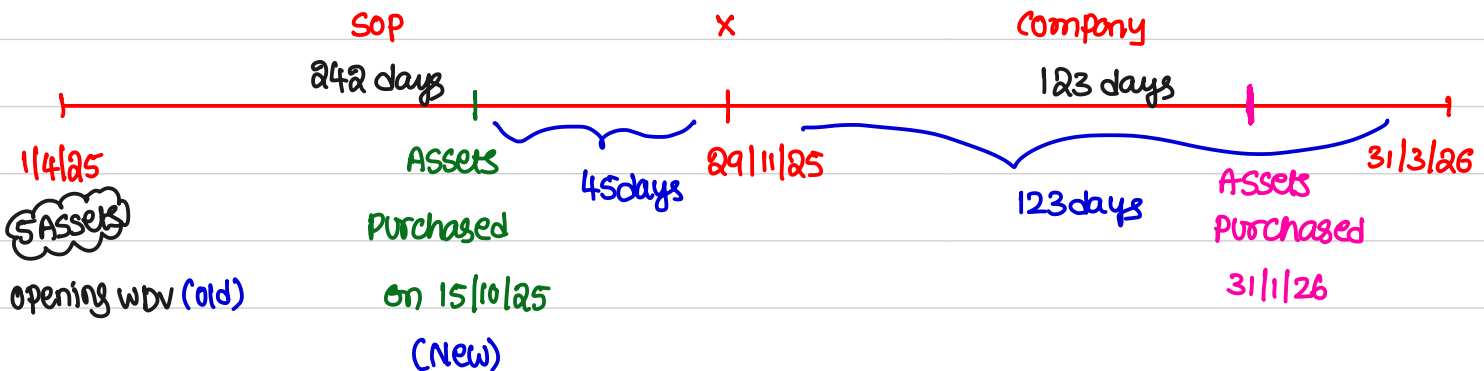
↓

Depreciation needs to apportion b/w predecessor & successor in **Usage Ratio**

(i.e No. of days assets used by them)

Example:

PY 25-26



while calculating depreciation - we have take an assumption of there is no succession

	Dep	SOP	Company
opening wdv (old)	5,00,000	$\frac{242}{365}$	$\frac{123}{365}$
New assets Purchased by predecessor (sop)	3,00,000	$\frac{45}{168}$	$\frac{123}{168}$
New asset purchased by successor	50,000	-	50,000

8) Sec 33AB & Sec 33ABA

Particulars	Sec 33AB Tea / coffee / Rubber Development AIC	Sec 33ABA Site Restoration Fund
1. Assessee Engaged in Business	Growing & Manufacturing Tea / coffee / Rubber in India	Prospecting (or) Extraction (or) Production of Petroleum / N. Gas In India
2. Deposit Any Amount	With NABARD, upto due date u/s 13A(1).	Special AIC with SBI before end of PY.
3. Deduction	a) actual Amount of Deposit b) 40% of PuBP, before this deduction	a) actual Amount of Deposit b) 20% of PuBP, before this deduction
4. Utilization	utilize only for specified purposes prescribed by Board.	utilize only for specified purposes prescribed by Deposit Scheme.

Note:

- No deduction to partners of Assessee (P. Firm)  
to members of Assessee (AOP/BOI)
- If any P&M installed for office use, then treated as misutilisation & need  
to withdraw deduction

c. Non utilization of Withdrawal Amount / utilized other purpose other than specified purpose



treated as Income u/s 41 (deemed profit)

PY 23-24  
↓  
SEC 33AB Deduction  
(Deposit with NABARD)

PY 25-26



Non utilization / misutilization



treated as Income u/s 41

d. sale / transfer of Assets before 8 years → We need to withdraw deduction by way of creating deemed profits u/s 41.

9) Sec 35: Expenditure on scientific Research

**In house Research**

**Contribution to others**

(The Research Activity must be related to Assessee BIP)



EXP → Deduction U/S 35



Salaries etc

EXP → Chapter VIIA deduction U/S 80 CUA

In house Research

on/after →

PY 22-23 PY 23-24 PY 24-25

← before 3 years

PY 25-26

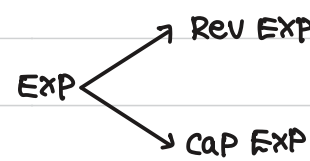
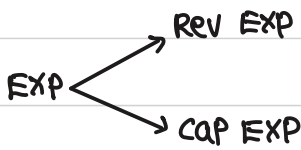
Business Commencement

Books ✓

PY 26-27

PY 27-28

allowed as deduction in the year of incurrance.



Deduction @ 100%

Expenses relating to 3 years before commencement of business



Both revenue & capital Expenditure will be allowed as deduction in the year of commencement of business.



deduction @ 100%

Expenditure incurred on/after commencement of business



Both revenue & capital Expenditure will be allowed as deduction in the year of incurrence



deduction @ 100%

Note:

1. Capital Expenditure Excludes land.
2. Revenue Expenditure includes salaries & materials but excludes perquisites.

Note:

1. Capital Expenditure Excludes land.
2. Revenue Expenditure includes Any Expenditure.

Inhouse Research

Assessee



Normal tax Rates



deduction available.



UIS IISBAC, IISBAA/BAB, IISBAD/

BAE



deduction available.

Note: Expenditure on scientific Research

by Company Engaged in the business of bio technology (or) in any business of manufacturing / production of Any Article (not being articles mentioned in the list of Eleventh Schedule - an approved inhouse Research & development facility)



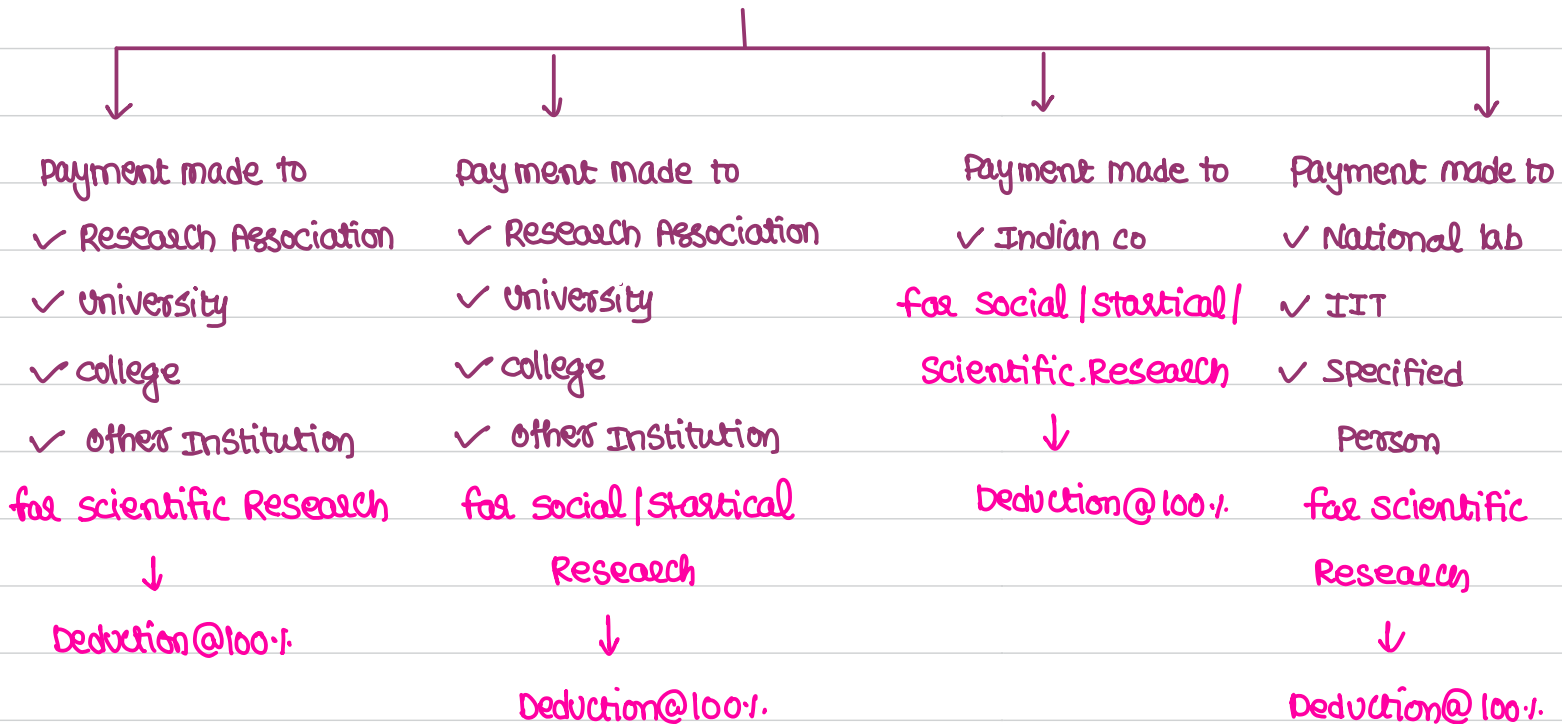
Deduction u/s 35

100% of Expenditure incurred.

[Capital Expenditure Excludes - land & Building]

\* this deduction will be available only if company paying tax under Normal tax Rates.

Contribution to outsiders



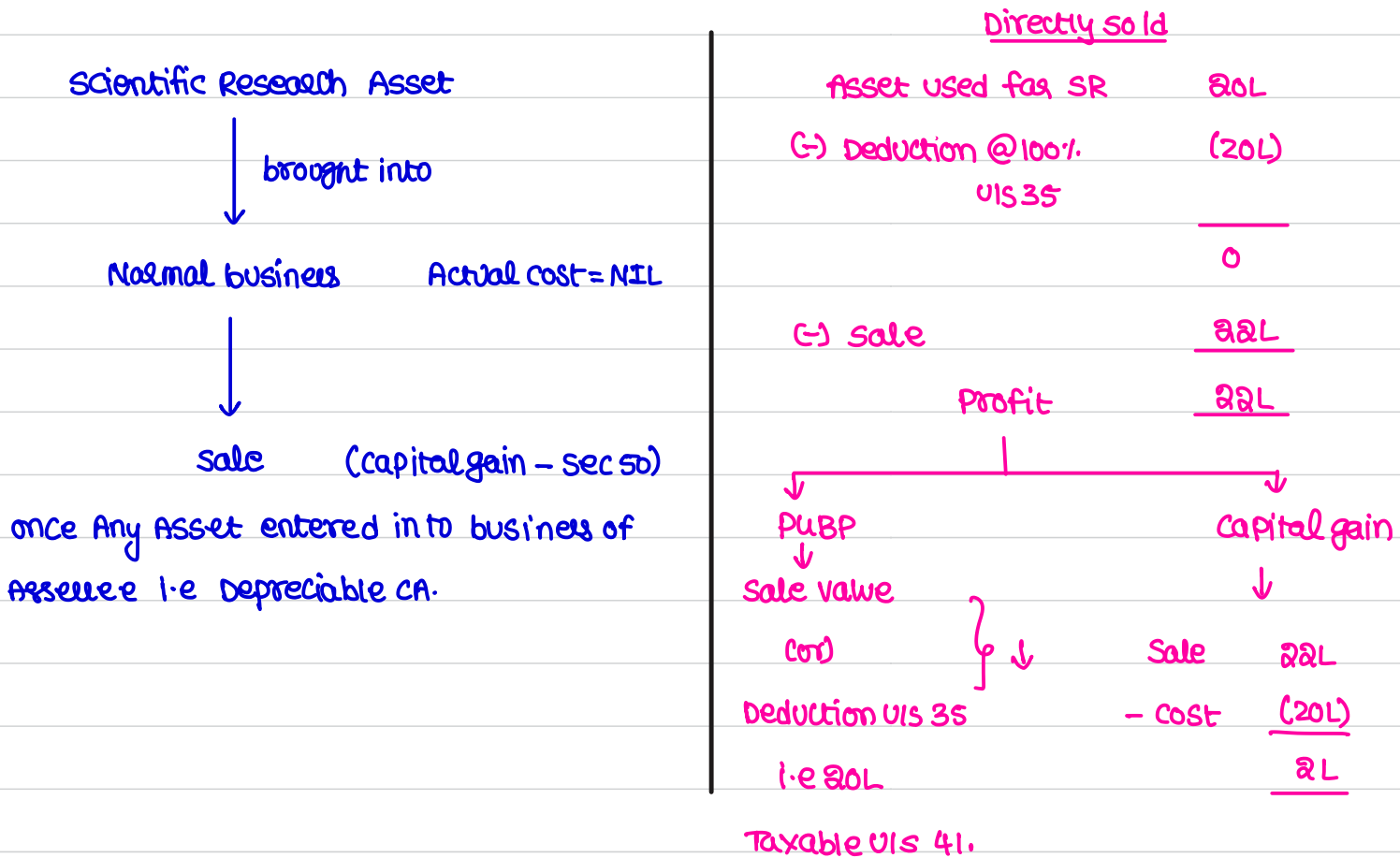
Contribution to others



Note: No depreciation will be available in the same year & subsequent year on any capital asset on which deduction u/s 35 was claimed.

Sale of scientific Research Asset

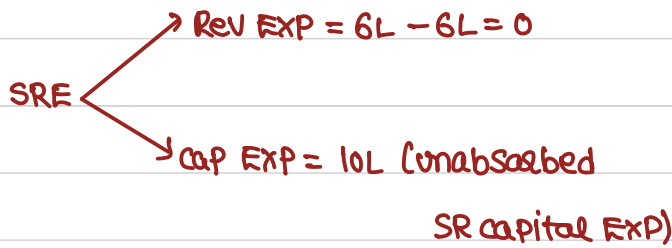
\*



unabsorbed scientific research (capital) expenditure

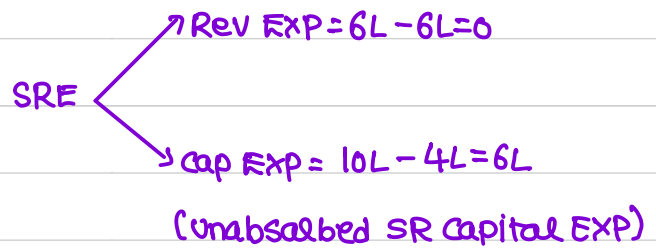
(i)

T. P&L A/c			
TO EXP	16L	by sales	20L
TO SRE (REV EXP)	6L	by N. loss (BIF)	2L
	<u>22L</u>		<u>22L</u>



(ii)

T. P&L A/c			
TO EXP	10L	by sales	20L
TO SRE (REV EXP)	6L		
TO SRE (BIF) (CAP EXP)	4L		
	<u>20L</u>		<u>20L</u>



Treatment of unabsorbed SR capital EXP is same as unabsorbed depreciation.

10) SEC 35ABA / ABB : Expenses for obtaining right to use spectrum / Telecom services

EX:

PY 23-24	PY 25-26 - - - 10y
↓	Commencement
license purchased for 20L for 10y	2L 2L - - - 10y

$$\frac{20L}{10y} = 2L/year$$

EX

PY 25-26	PY 28-29 - - - 10y
Commencement	licence
	Purchased for 20L for 10y

$$2L \ 2L \ - \ - \ 10y$$

$$\frac{20L}{10y} = 2L/year.$$

Deduction Amalised over the period of spectrum

spectrum Fees actually Paid before commencement of business

Spectrum Fees actually Paid after commencement of business

↓

PY of commencement

PY of actual payment

Period =                      To  
PY of expiry of license

Period =                      To  
PY of expiry of license

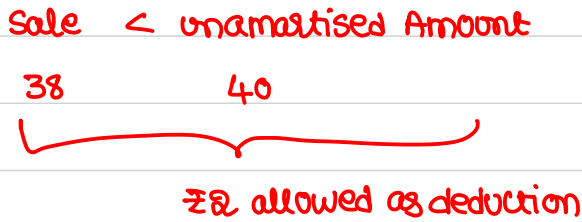
(part of py also counted as full py)

(part of py also counted as full py)

Sale / Transfer of spectrum

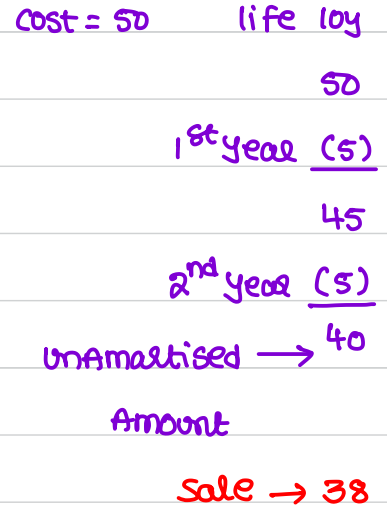
a) Whole spectrum

i) SP < unAmortised Amount



Deduction = unAmortised Amount - sale value

EX:



ii) SP > unAmortised Amount

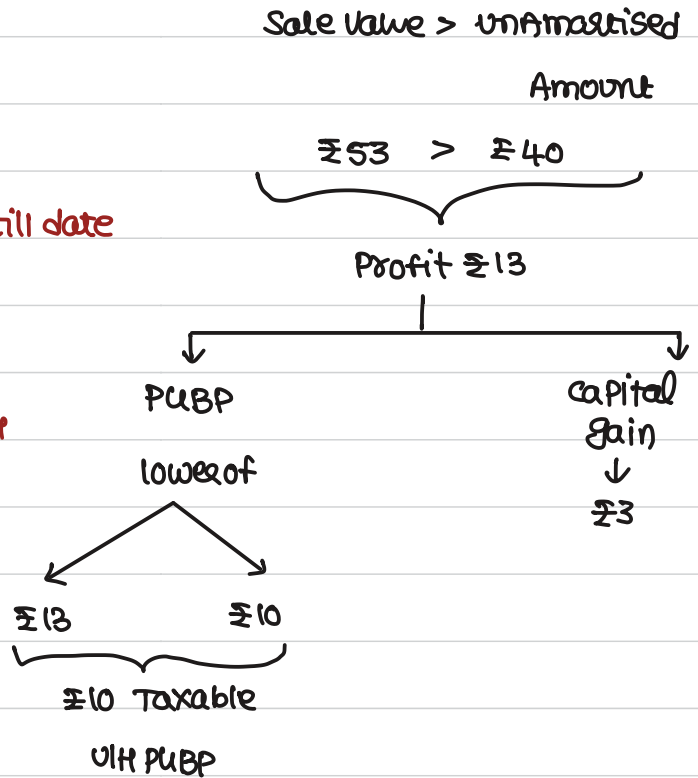
First, PUBP = lower of



Next, If any profit is there taxable UH capital gain

↓

Sale price - cost



b) part of spectrum only sold

i)  $SP < \text{unAmortised Amount}$

↓

loss allowed as deduction  
(usually apportioned over unexpired period)

$$\text{Deduction} = \frac{40 - 38}{8y}$$

$$= 0.2$$

$$\text{Deduction} = \frac{\text{unAmortised Amount} - SP}{\text{unexpired Period}}$$

ii)  $SP > \text{unAmortised Amount}$

First,  $PUBP = \text{lower of}$



SP - unAmortised (or) Exp allowed till date  
Amount

Next, if any profit is there taxable UTR  
capital gain

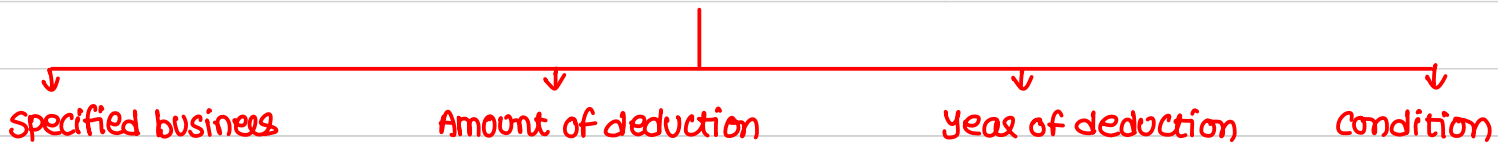
↓

Sale price - cost

Note: 1. No depreciation shall be allowed for such expenses.

2. In case of demerger / Amalgamation - Deduction Allowed to Amalgamated or Resulting co.

ii) SEC 35AD: Investment-linked Tax incentive for specified businesses  
/ Capital Expenditure allowed as deduction for specified businesses



a) Specified businesses

1/4/09

- 1) cold chain facilities
- 2) Warehousing facility for storage of Agricultural produce
- 3) cross country Natural Gas / Petroleum / crude oil  
 ↳ PY 07-08 [Retrospective effect]

1/4/10

- 4) Two Star (or) above category hotels India.
- 5) hospitals India with atleast 100 beds
- 6) Notified Scheme for slum redevelopment

1/4/11

- 7) Any other housing project approved by C4
- 8) production of Fertilizers

1/4/12

- 9) Inland container depot / Container freight station
- 10) production of honey / Bee keeping
- 11) Warehousing facility for storage of sugar

1/4/14

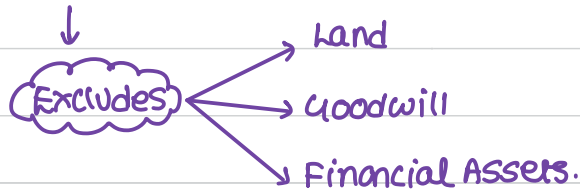
- 12) transportation of iron ore through Suraly Pipeline.
- 13) Semi Conductor Manufacturing / wafer fabrications.

1/4/17

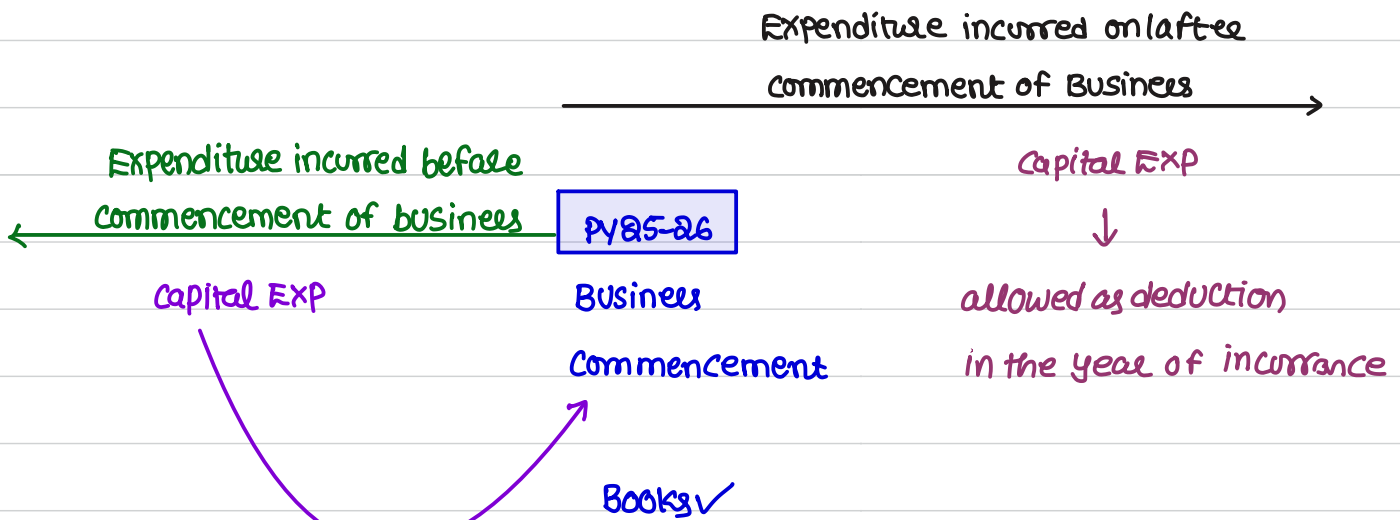
- 14) Infrastructural facility.

b) Amount of deduction:

100% of Capital Expenditure will be allowed as deduction

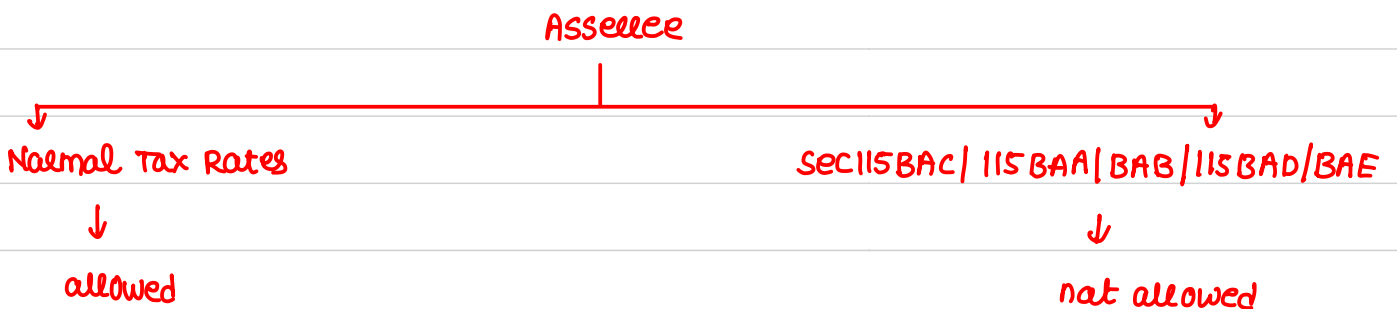


c) year of deduction:

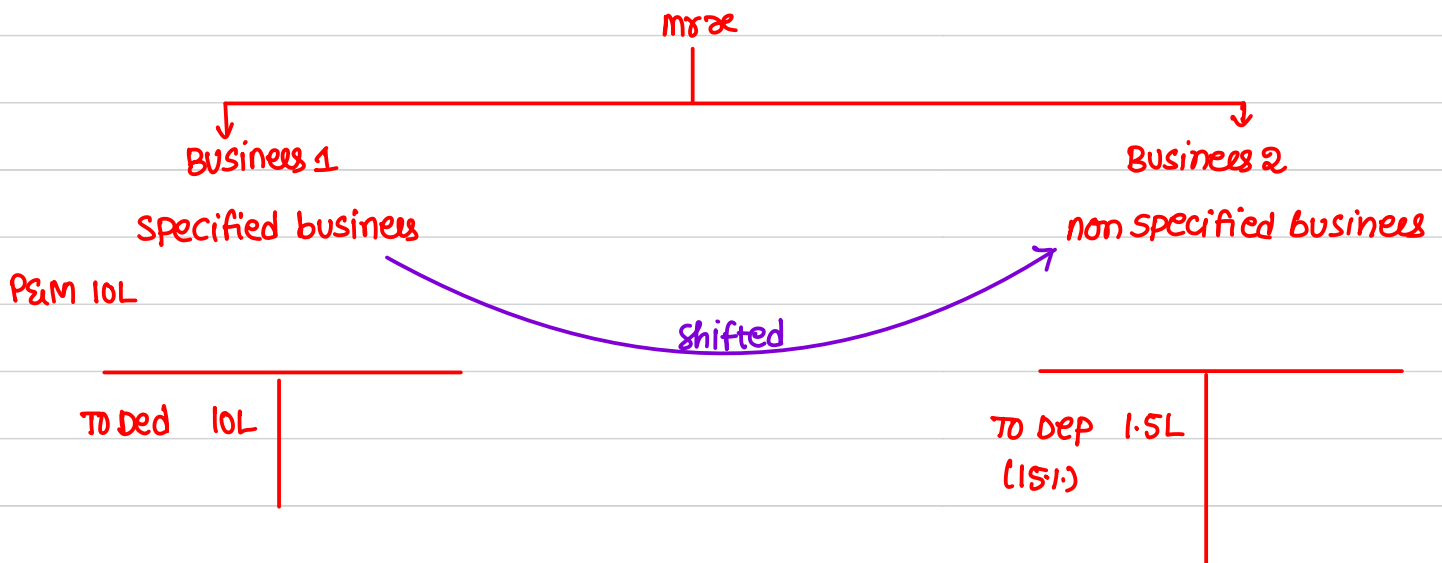


Deduction will be allowed in the year of commencement provided, that amount is capitalised in Books of A/c's.

Deduction u/s 35AD



## Holding period of New Assets



\* The Asset shall be used for specified business for "period of 8 years"

### \* Consequences

**Deemed Income** UItR PubP of PY in which asset transferred from specified business to non specified business.

$$\text{Deemed Income} = 10L - 1.5L (\text{Dep}) = 8.5L$$

However, Assessee shall reduce Amount of depreciation u/s 32 from Deemed Income

### d) Conditions

- once Assessee has claimed the benefit of sec 35AD for Particular year for specified business, he cannot claim chapter VIIA deductions under heading c (deduction wrt to certain incomes) & SEC 10AA for same year (or) Any other year.

- a) Where Any Expenditure in respect of which
- a payment (or) aggregate payment
  - made to a person
  - in a day exceeds ₹10,000

then Payment shall be made in

- A/c Payee Cheque
- A/c Payee Demand draft
- Electronic clearing System
- Any other Electronic mode

otherwise, such Expenditure not eligible for Deduction u/s 35AD.

- |  |  |
|--|--|
| <p>3)            loss from specified business</p> <p style="padding-left: 40px;">- Fertilizers</p> <p style="padding-left: 40px;">(deduction u/s 35AD)</p> | <p style="text-align: right;">Income from specified business</p> <p style="text-align: right;">- hotel business (Est 2000)</p> <p style="text-align: right;">(even though not eligible for<br/>Deduction u/s 35AD)</p> |
|    |  |

loss from specified business can be set off only against specified business income.

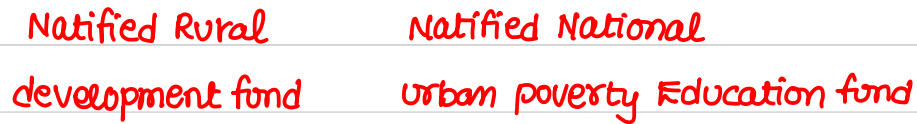
#### 4) Hotel - 2 star (or) above category

The Assessee shall be deemed to carrying on the specified business of Building & operating of hotel, (if)

- Assessee builds hotel of two star (or) above category
- There after, he transfer the operations of hotel to another.
- However, should continue to own the hotel.

## 12) Sec 35CCA: Contribution for Rural development

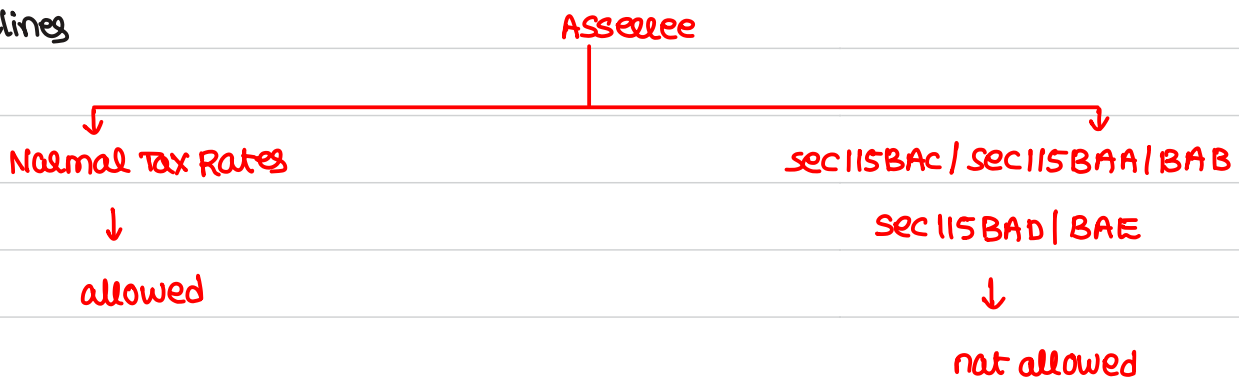
100% of deduction allowed for payment (or) contributions made by Assessee during PY



Note: Sec 35CCA deduction available to Assessee irrespective Regime's.

## 13) Sec 35CCC: Deduction wrt EXP incurred on Agricultural Extension Project

Amount equals to 100% of Expenditure incurred by Assessee on Agricultural Extension project Notified by CBDT in accordance with prescribed guidelines

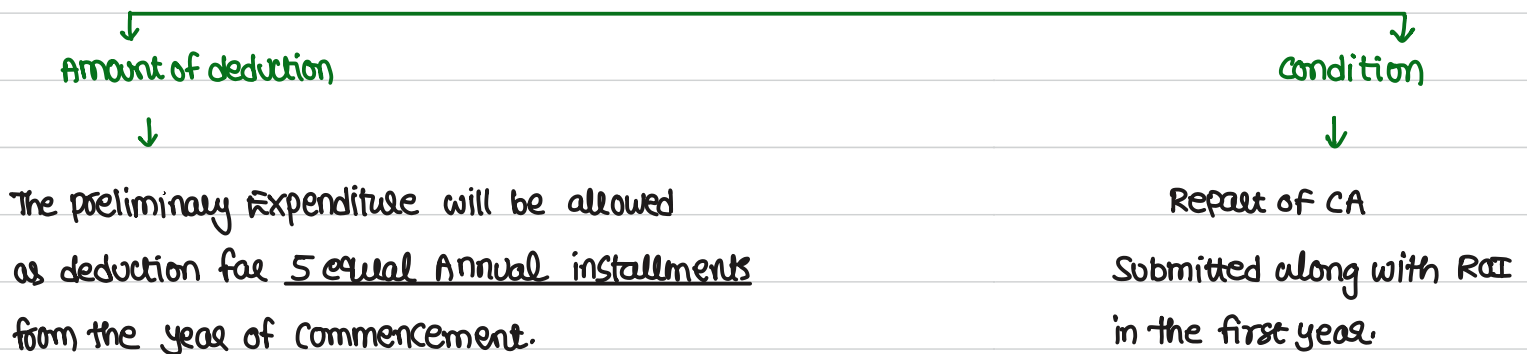
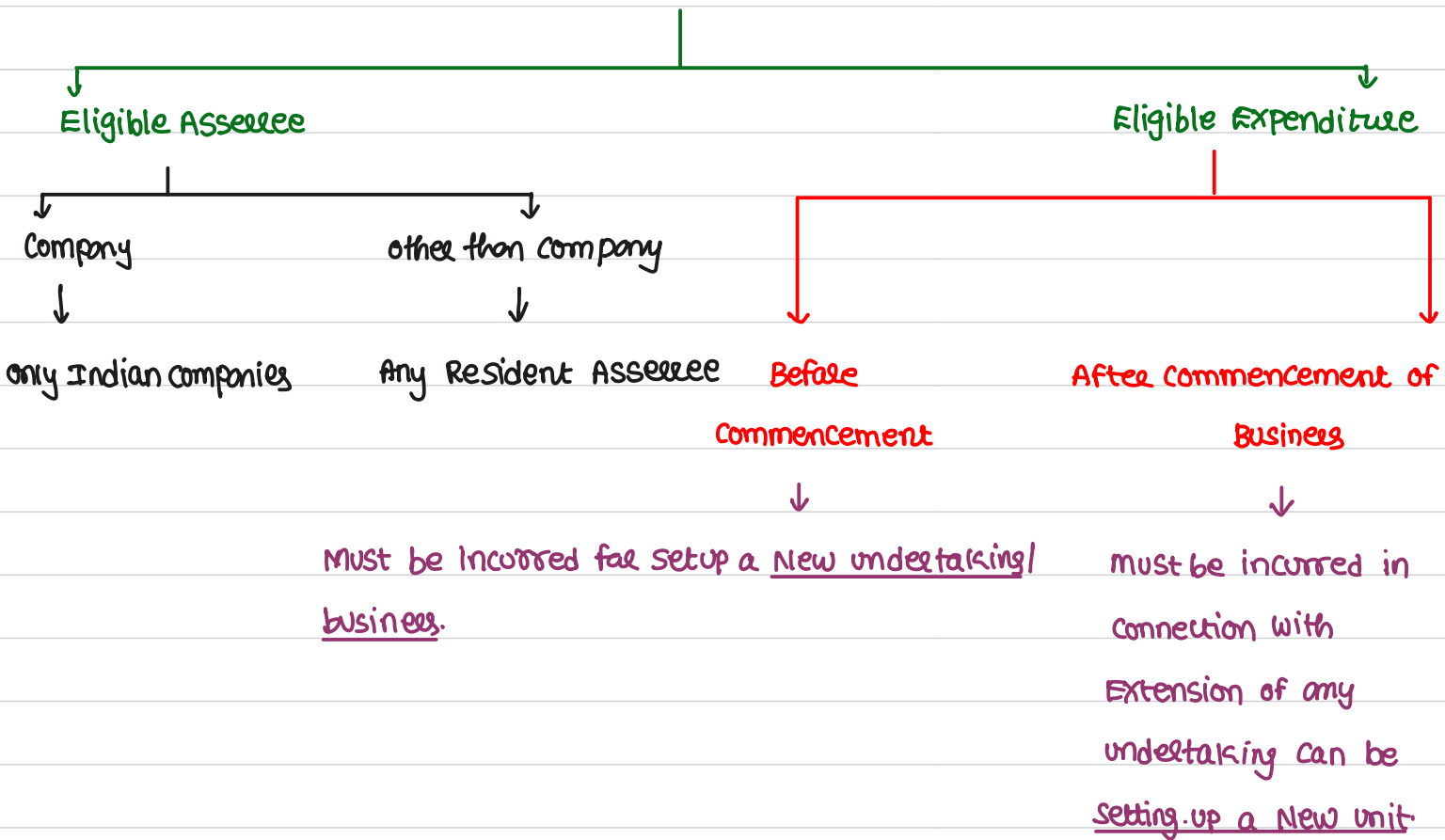


## 14) Sec 35CCD: Deduct wrt EXP incurred by Company on Notified Skill development Project

Amount equals to 100% of Expenditure (other than Building/Land) incurred on public private partnership (PPP) Project for skill development in manufacturing sector as Notified by CBDT.



15) sec 35D: Amortization of preliminary Expenditure

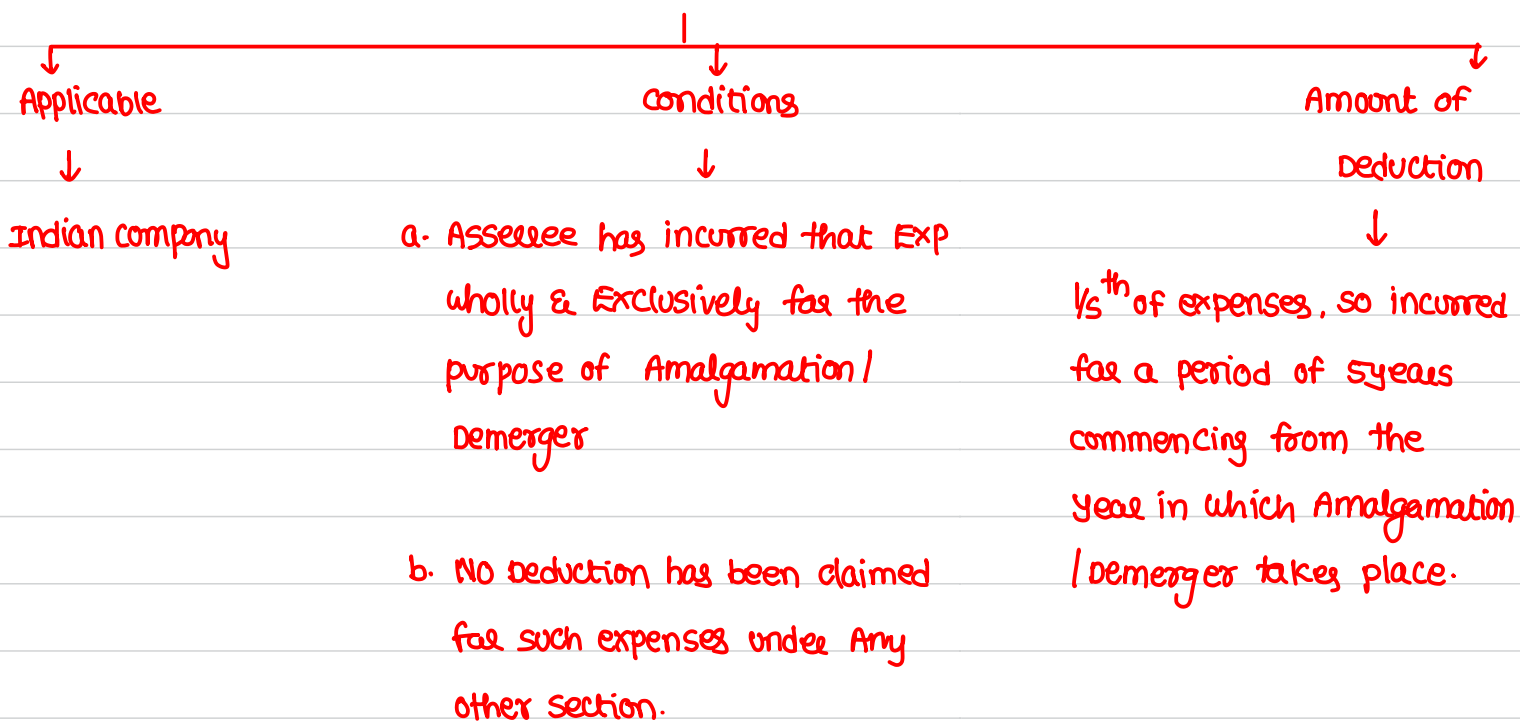


Overall limit for sec 35D



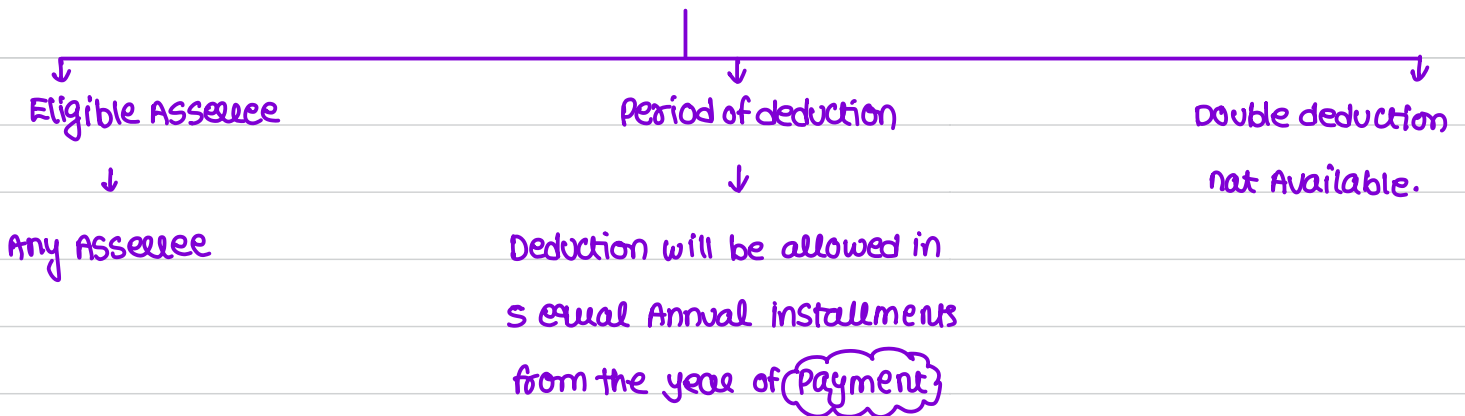
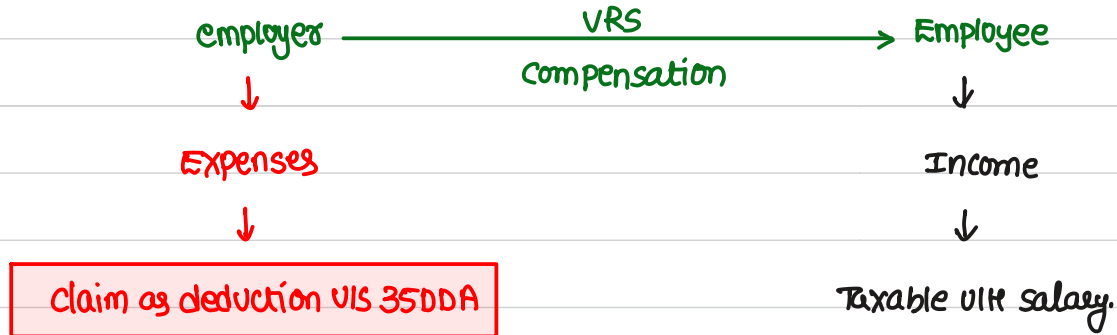
Note: Assessee is a person other than Company / Cooperative Society u/s 35D not available unless Accounts are Audited.

16) Sec 35DD: Amalgamation of Expenses for Amalgamation / Demerger



17) sec 35DDA: Amortization of Exp incurred for Voluntary Retirement

Scheme



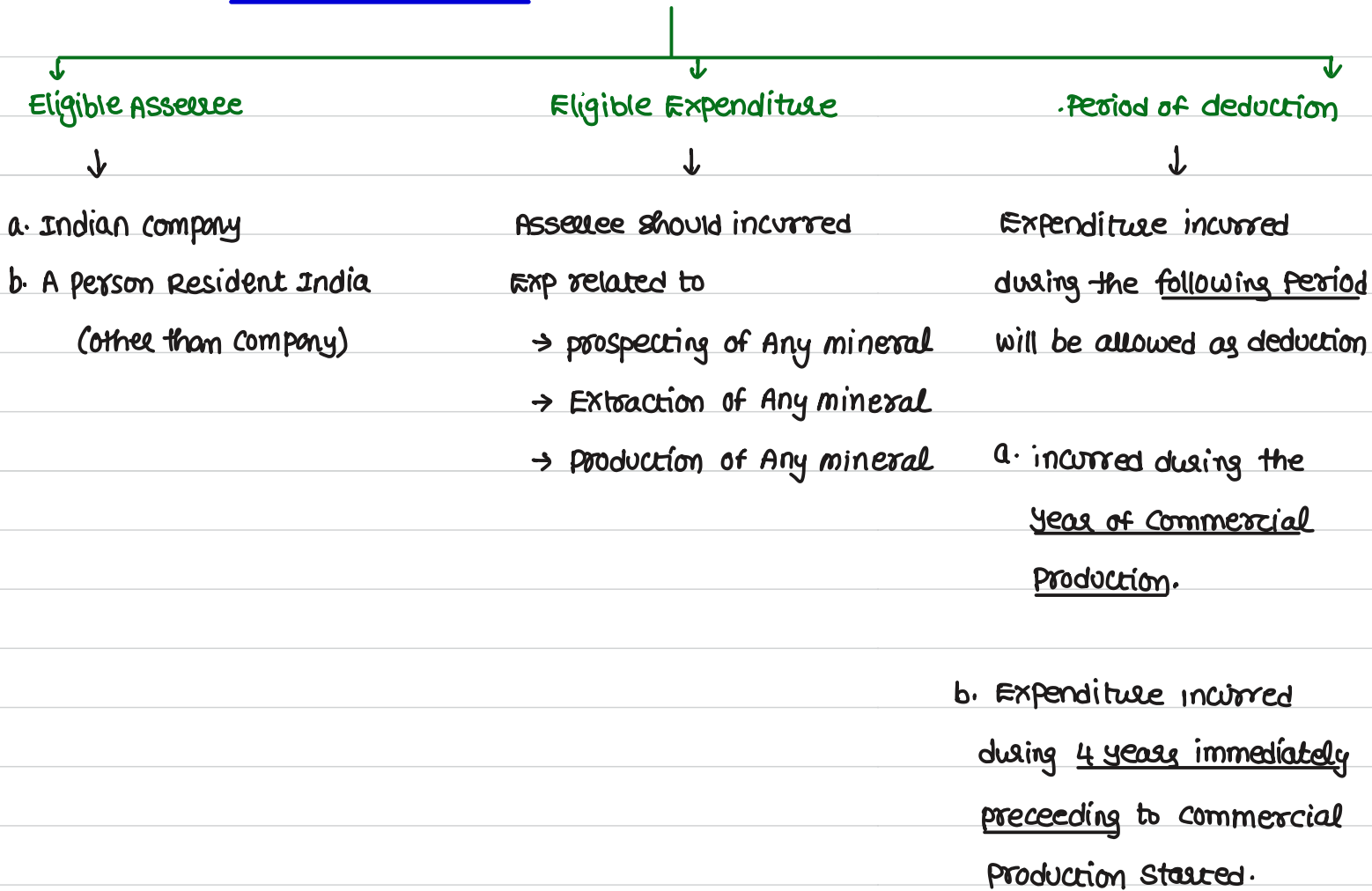
Note:

1. Deduction will be allowed on cash basis.
2. If compensation paid on installment basis, then each installment shall be allowed as deduction for 5 equal installments.

Example

VRS Compensation 10L			Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>	Y <sub>6</sub>	Y <sub>7</sub>	Y <sub>8</sub>
			80k	80k	80k	80k	80k	-	-	-
Installment	1	2	-	80k	80k	80k	80k	80k	-	-
	4	2y	-	-	40k	40k	40k	40k	40k	-
	4L	4L	80k	160k	200k	200k	200k	120k	40k	-

18) sec 35E: Amortization of EXP incurred for prospecting & development of certain minerals



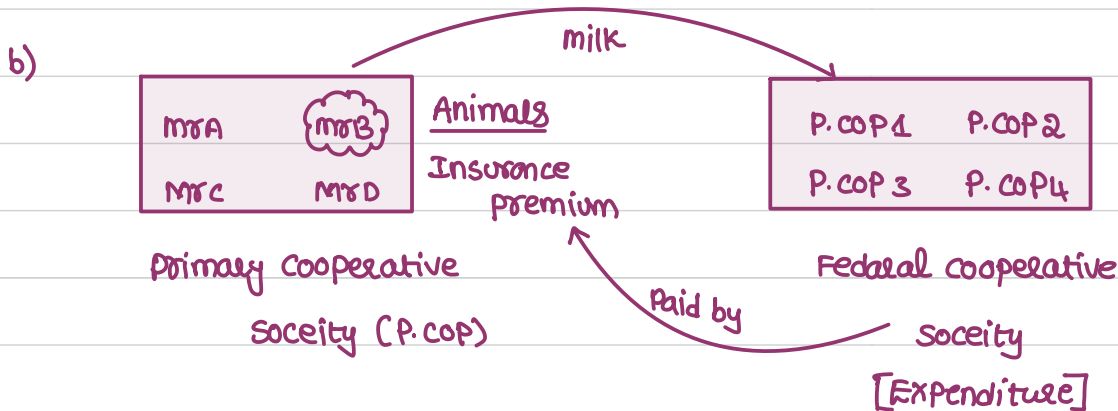
Amount of deduction available u/s 35E



## 19) sec 36(1) : other deduction

### a) Insurance Premium paid on Stores & Stock (Current Assets)

Note: Fixed assets related Insurance premium covered U/s 30 & 31.



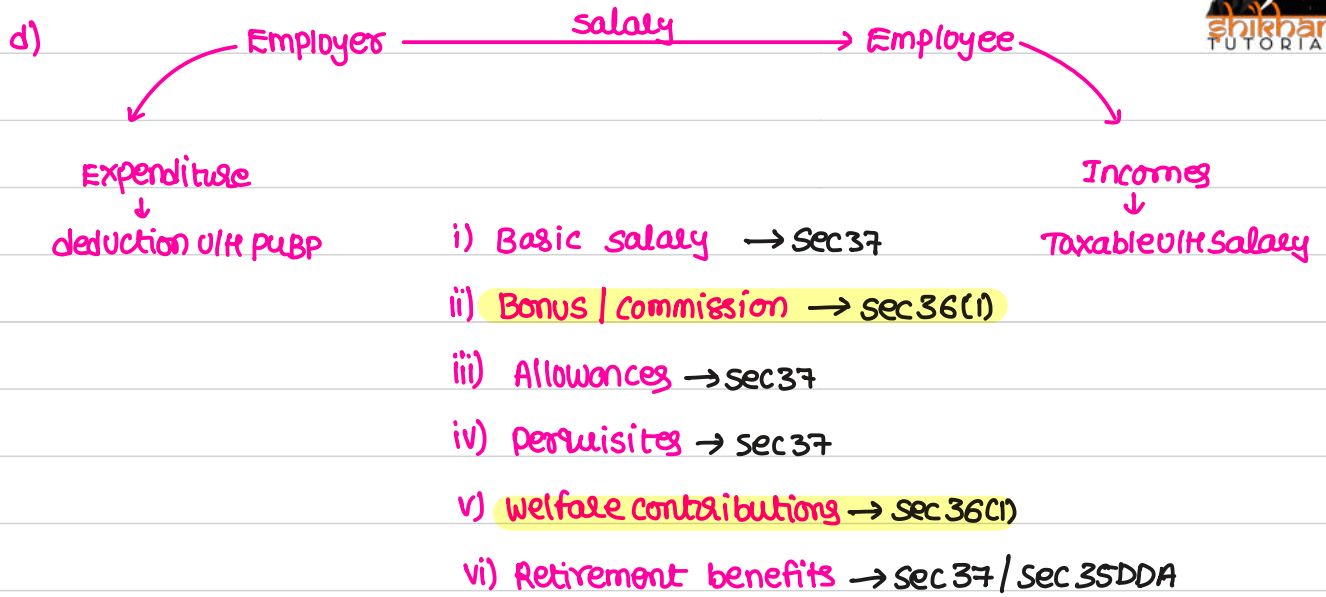
Insurance Premium paid by Federal milk cooperative society on the life of cattels owned by members of primary cooperative society.

### c) Insurance premium paid by employer on the health of employees under scheme framed by general insurance corporation of India / IRDA.

(Premium paid by way of Any mode other than cash)

Note: Payment of accident insurance premium paid by Employer will be allowed as deduction U/s 37.

Payment of Keyman insurance policy premium paid by employer will be allowed as deduction U/s 37.

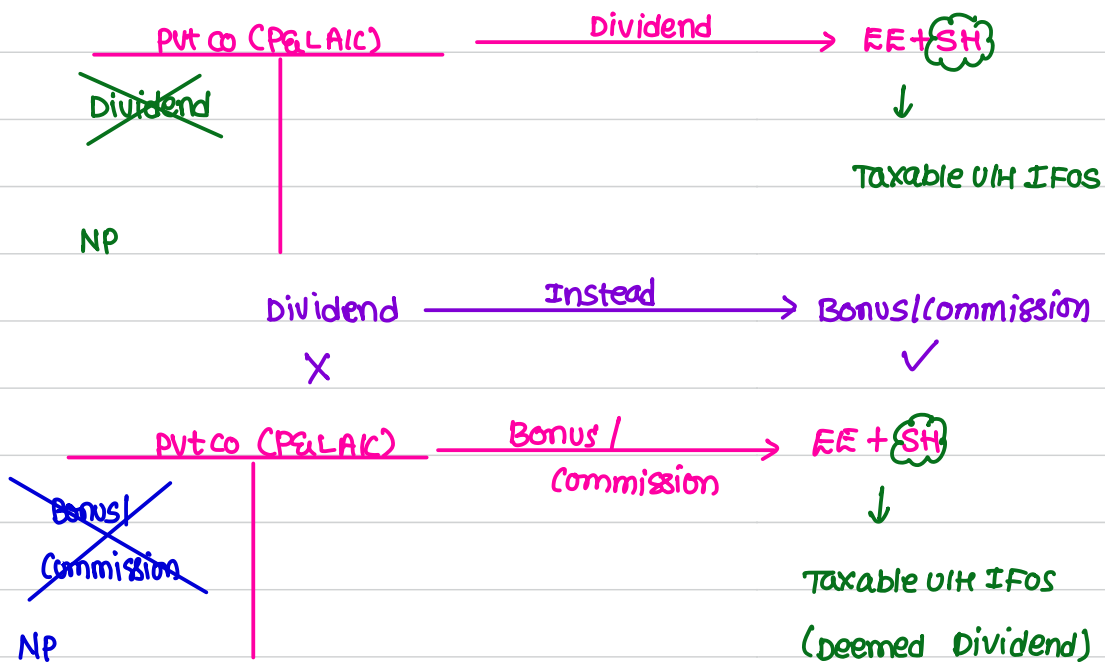


Any sum paid to employees as bonus/commission for services rendered by ee's.  
(subject to sec 43B)

↳ deduction will be allowed on actual payment basis.

Note:

1. Pvt co is issued Bonus / commission to their employees instead of giving dividend to them (not allowed as deduction)



2. Bonus to directors is allowed as deduction.

e) welfare contributions:

EX: PF, SA, ESI etc

mrs

22y - 60y

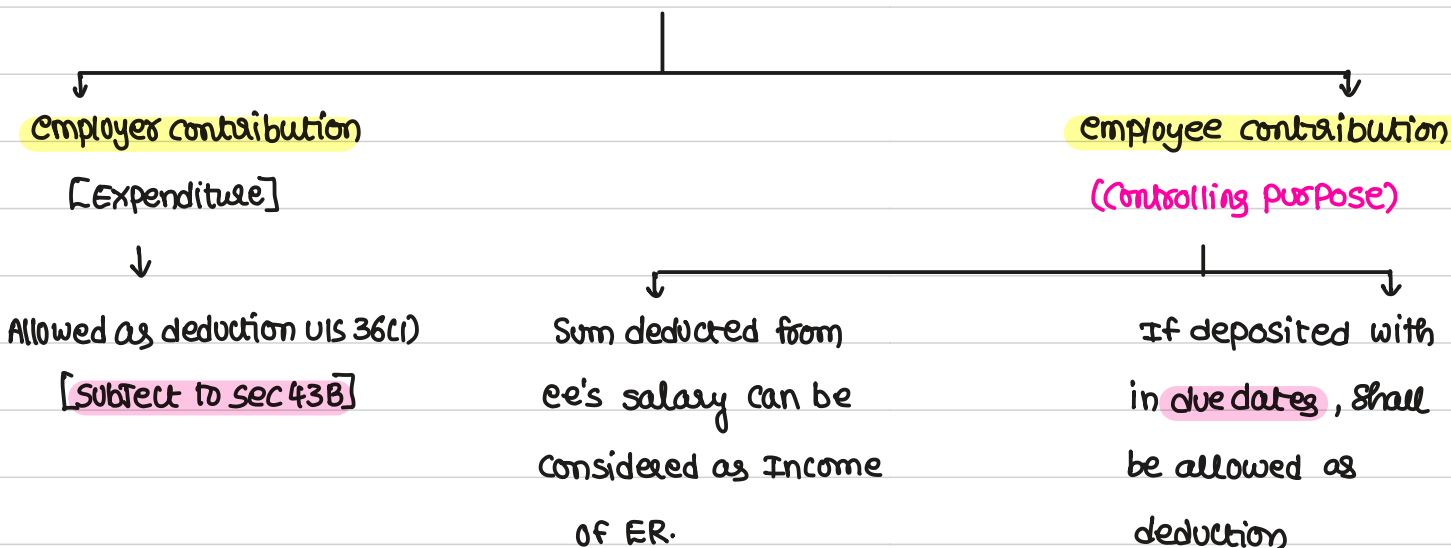
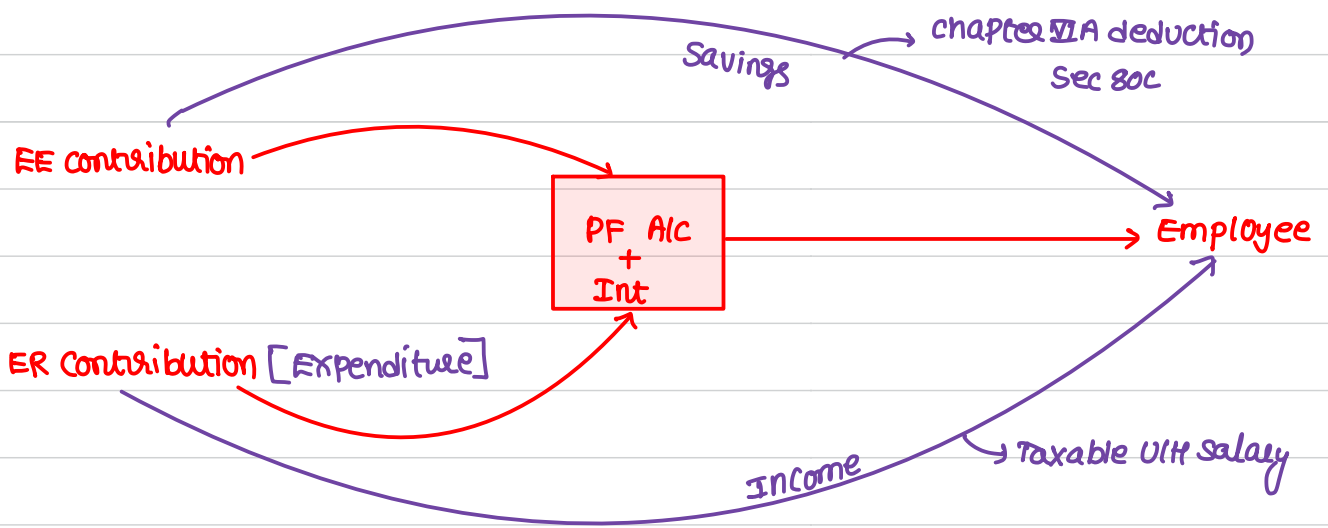
36 years of service

ABC ltd

Average monthly salary 20,000

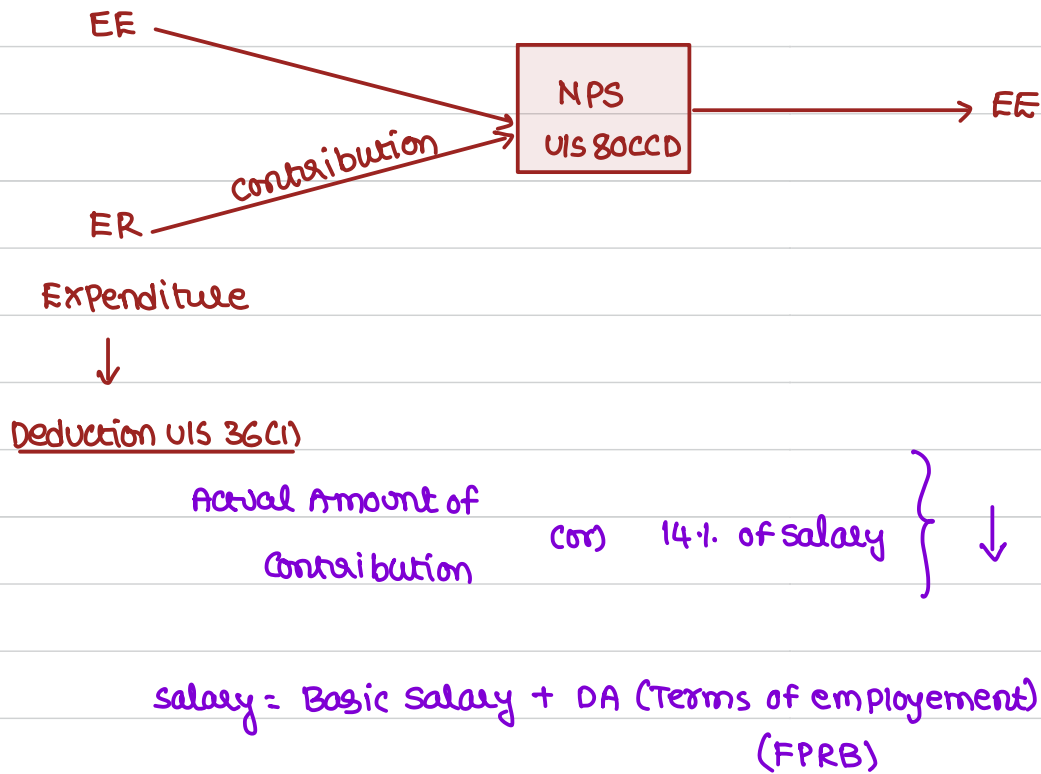
(-) EE Contribution (2000)

18,000

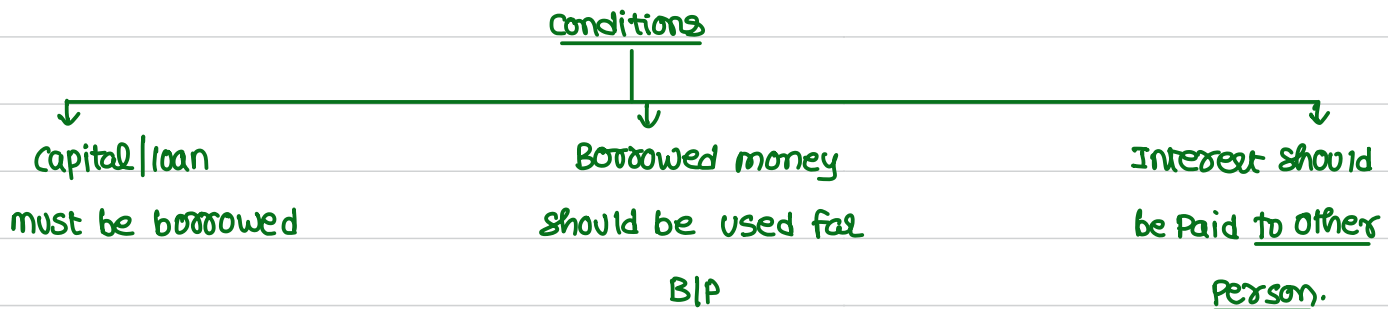


\* It should be paid to welfare A/c as per relevant Act due dates i.e on/before Next month 15<sup>th</sup>.

f) Employer's contribution to pension scheme u/s 80CCD:



g) Interest on Borrowed Capital - allowed u/s 36(1)



Note:

1. In case of sole proprietary concern, interest paid to sole proprietor is not allowed as deduction.
2. In case of P.Firm upto 12% pa on capital contributed by partner is allowed as deduction. (sec 40b)

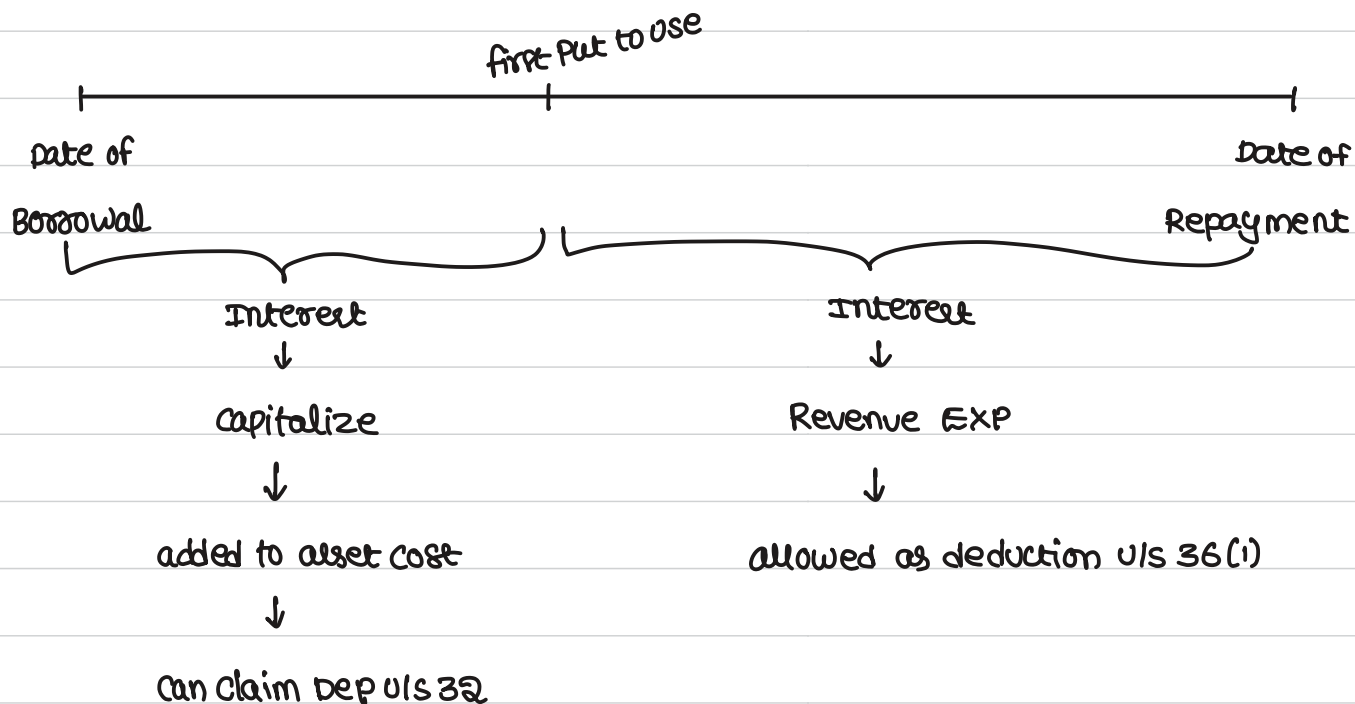
3. Interest paid to relatives allowed as deduction [subject to sec 40AC(2)]

Payment made to relatives, excess over FMV shall be disallowed.

4. In case of genuine borrowings, the Ao cannot object Amount of deduction, even if rate of Interest is very high.

5. Interest will be allowed as deduction irrespective of whether that Amount used for working capital / purchase of Asset.

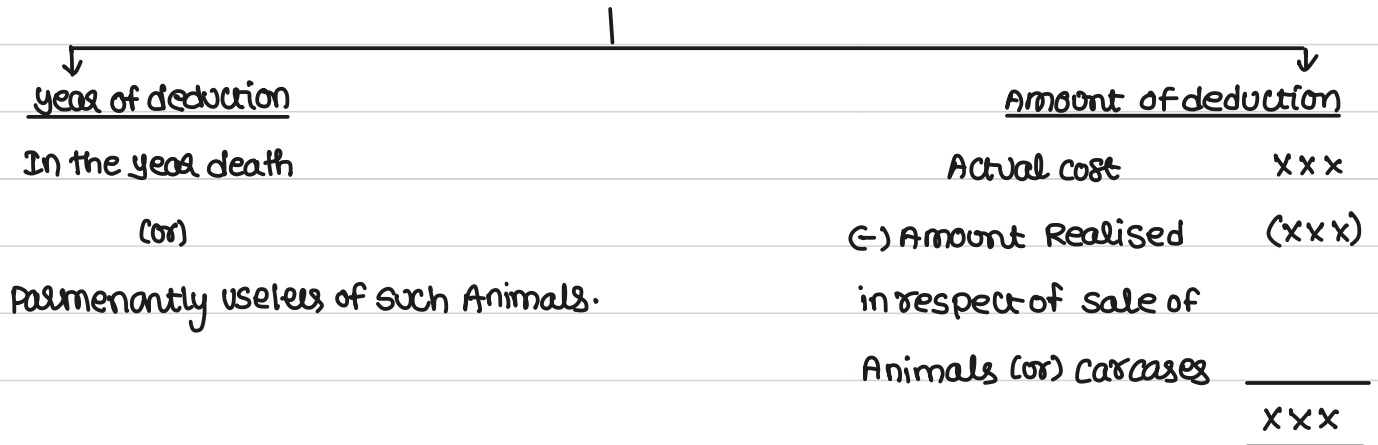
6. Borrowed Capital used for acquisition of Asset



7. Interest to Financial Institutions / NBFC / scheduled banks is allowed as deduction u/s 36(1) [subject to sec 43B]

h) Deduction w.r.t Animals used in Business otherwise than SIT

[used as assets in BIP]



→ meaning sec 2(48)

i) Discount on zero coupon Bonds



allowed as deduction on pro-rata basis

having regard to period of life of such bonds

Life of such bonds: From date of issue of bonds  
(months) To the date of redemption

(if fraction (days) ≥ 15 days → month, If fraction < 15 days → ignore)

Example:

Issue date

Redemption date

1<sup>st</sup> Jan, 2020

21<sup>st</sup> Aug, 2025 (>15 days)

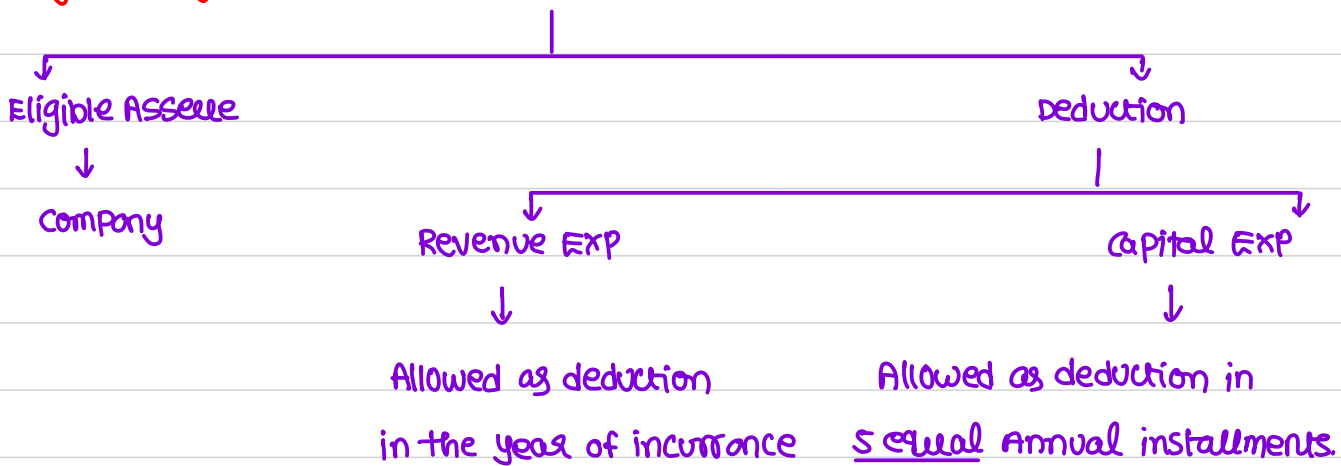


life of such bonds = 68 months  
(in months)

$$\text{Discount} = \frac{10,00,000}{68 \text{ months}} = 14,706 / \text{month}$$

issuer of such ZCB	PY 19-20	3 Months X 14,706	₹ 44,118	deduction u/s 36(1)
	PY 20-21	12 Months X 14,706	₹ 1,76,470	" "
	PY 21-22	"	"	"
	PY 22-23	"	"	"
	PY 23-24	"	"	"
	PY 24-25	"	"	"
	PY 25-26	5 months X 14,706	₹ 73,530	" "

3) Family planning Expenditure



Note: unabsorbed family planning expenditure (Revenue/Capital) treatment will be same as unabsorbed depreciation

k) Deduction of bad debts

(sec 36(i)(vii))

Conditions

- i) The debt must be related to B/P & should be written off in the books
- ii) That must have been taken into account while computing the income of PY/earlier years.
- iii) The bad debt must be Revenue nature (i.e. sale of goods)  
[In case of money lending business - bad debt must be related loans & Advances]
- iv) Provision for bad & doubtful debts is always disallowed (Except for certain Banks).

Note:1. B/P must be in continuationPredecessor

Father

22-23

↓

Credit sales

(debtors)

Business

23-24

Father → Son

Successor

Son

25-26

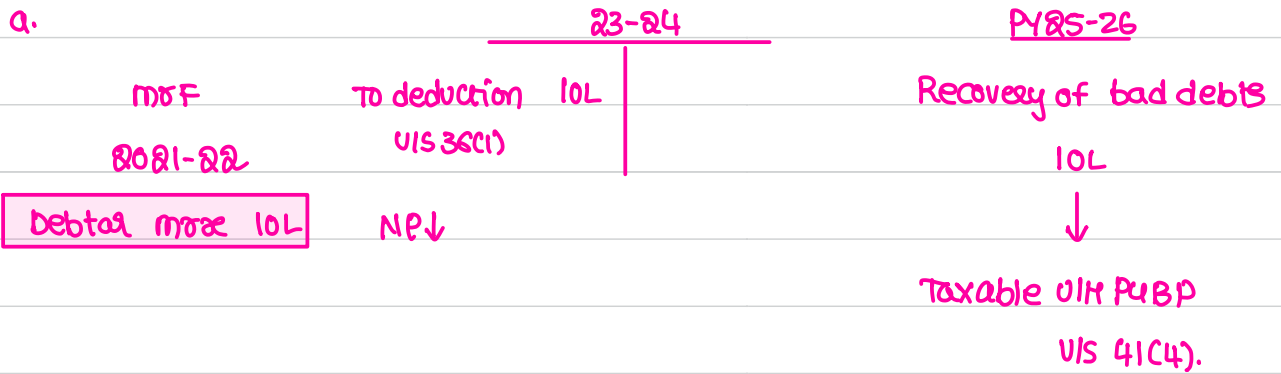
↓

Bad debt

Allowed as deduction u/s 36(i)

Successor of B/P is entitled to claim deduction in respect of bad debts created by predecessor.

Q. Recovery of bad debts is taxable U/H PuBP in the year of Recovery (if it was allowed as deduction in earlier years)



MCA

PY 24-25	Actual bad debts	₹75,000
	bad debts allowed by Ao	₹40,000
PY 25-26	Recovery of bad debts	₹44,000

what is taxable Amount in PY 25-26?

<u>PY 24-25</u>		<u>PY 25-26</u>
bad debts 40k		U/S 41(4) 9000 Taxable ↑ {44,000 - 35,000}

Taxable portion 35,000

Out of Recovery of bad debts ₹44,000, Amount of ₹35,000 was already taxed in PY 24-25. remaining (₹44,000 - ₹35,000) ₹9,000 Now taxable in the year of Recovery i.e PY 25-26.

L) provision for bad debts for banks

(sec 36(1)(viiia))

→ Indian scheduled banks

→ non scheduled banks

→ Cooperative banks (other than a primary Agricultural Credit Society (or) primary cooperative agricultural and Rural development banks)

→ foreign banks

→ public financial Inst

→ State financial corp

→ State Industrial Investment Corporations

→ NBFC

↓  
maximum 8.5% of gross Total Income

⊕

maximum 10% of Aggregate Avg Advances made by Rural branch.

↓  
maximum 5% of gross total Income

Gross Total Income → means Income before sec 36(1)(viiia) & chapter VIIA deductions.

M) Transfer to special Reserve:

↓  
Eligible Assessee

↓  
Amount of deduction

↓  
Foreign corporations engaging in providing long term finance.  
[§1(maa)]

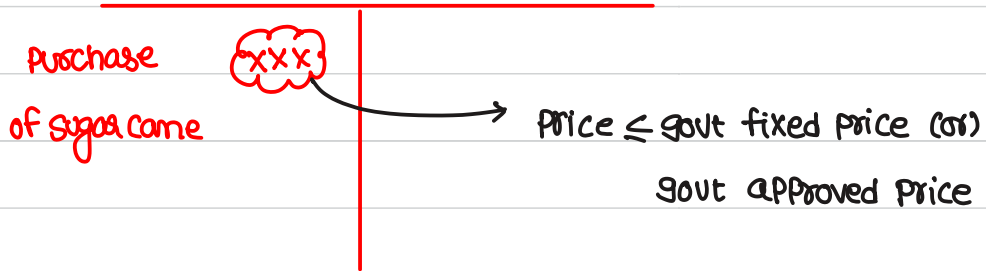
lower of the following

- a. Actual amount transfer to special Reserve.
- b. 20% of PUBP (before deduction)
- c. 200% (PSC + UR) - opening balance balance in special Reserve.

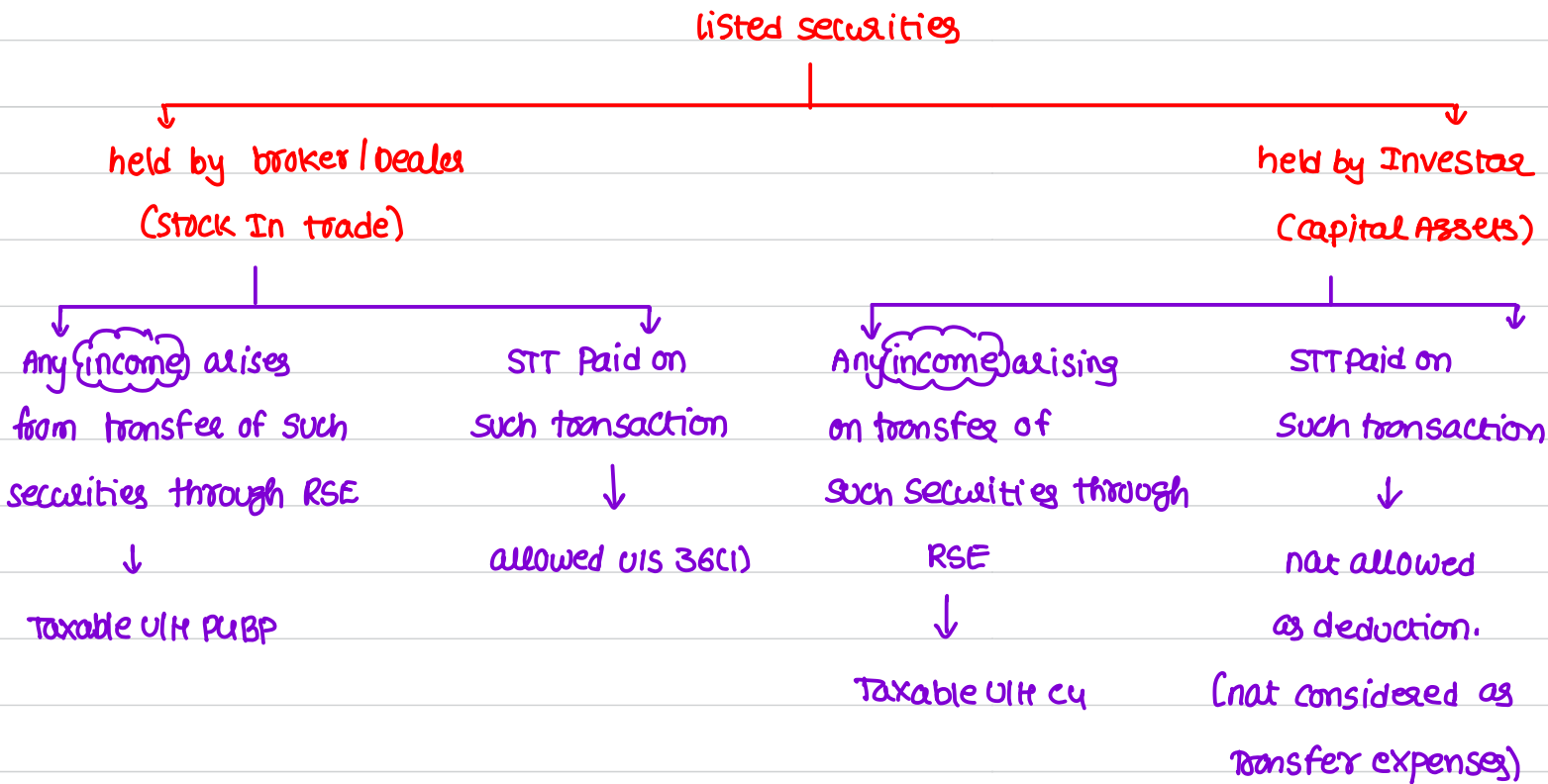
Note: Any Amount withdrawn from special Reserve taxable U/H PUBP U/S 41(4A) in the year of withdrawal.

N) Purchase of sugar cane

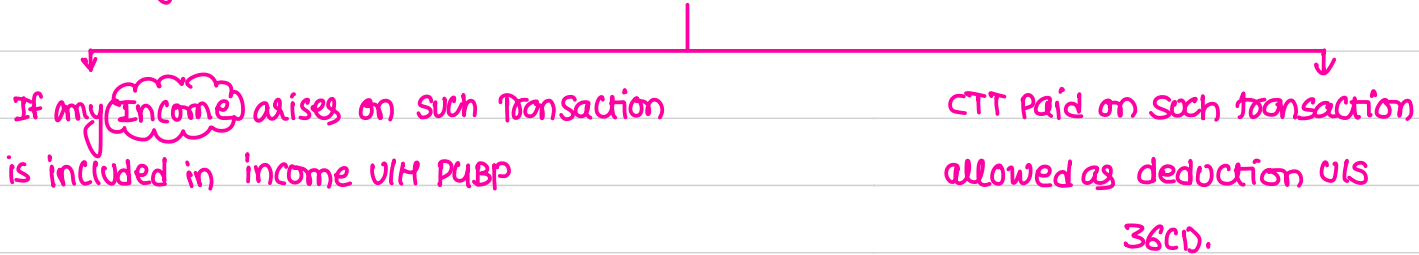
cooperative society → manufacturing of sugar



O) Security Transaction Tax (STT)



P) Commodity Transaction Tax (CTT)



9) marked to market loss / Expected loss



20) sec 37: general deductions (Residual section)

If following conditions are satisfied, then expenditure will be allowed as deduction u/s 37

a) The Expenditure should not covered u/s 30-36

b) The Expenditure should be incurred by Assessee

c) The Expenditure was incurred on/after commencement of business

d) It should not be in a nature of personal Expenditure

e) It should be incurred wholly & Exclusively for assessee B/P

f) It should not be in nature of capital Expenditure.

g) The expenditure should not have been incurred by Assessee for Any Purpose which is offence (or) prohibited by law.

Note:

1. Premium paid by ER w.r.t Keyman Insurance policy } will be allowed as  
personal accident Policy } deduction u/s 37.
2. Any Expenditure incurred by Assessee under corporate Social Responsibility u/s 135 of Companies Act, 2013 → Shall not be allowed as deduction u/s 37 (Expenditure shall not be deemed to have been incurred for B/P).
3. Expenses incurred in providing Freebies to medical practitioners by Pharma Companies are in violation of provisions Indian Medical Council Regulation



Such Expenses considered as prohibited by law



not allowed as deduction u/s 37 in the hands of  
pharma companies.

4. Advt in soveniers/ pamphlets / Brochures of Political party

Disallowed u/s 37

can claim chapter VIIA deduction

u/s 80CUB/UC.

5. The cost of production of an abandoned film to be revenue expenditure & allowed as deduction u/s 37.
6. gift to employee by employer - allowed u/s 37
7. Customary Expenses (Puja, decoration, Diwal EXP) - Allowed u/s 37.

8. Expenditure incurred by CA's for attending CPE seminars - allowed u/s 37.

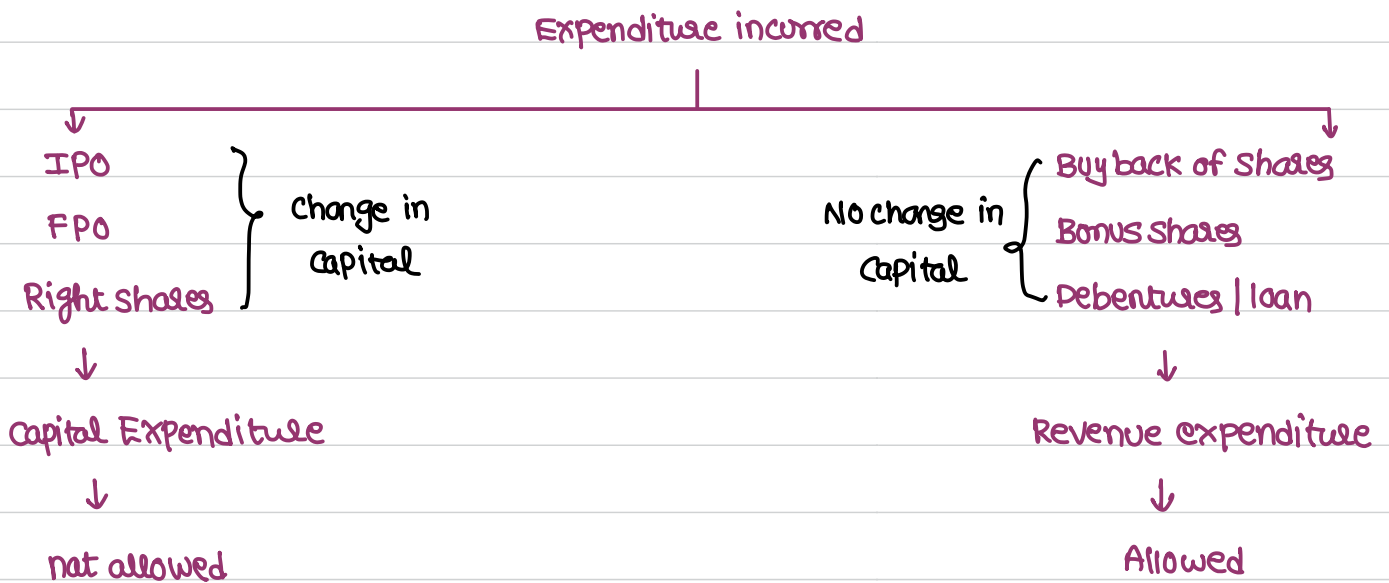
9. Penalty - Breach of law - not allowed u/s 37.

10. Breach of contract (contract of Revenue nature) - allowed u/s 37.

11. Interest on loan taken for payment of Income Tax - not allowed.

12. Tax Audit Fees (or) litigation Expenses relating to Income tax case - Allowed

13. Share / Debenture issue Expenses



14.

	<u>Direct Tax</u>	<u>Indirect tax</u>
	[Income Tax etc]	[GST etc]
Tax	not allowed	Allowed } subject
Interest	not allowed	Allowed } to sec 43B
Penalty	not allowed	not allowed

15. Dividend / DDT (Dividend distribution Tax) - Not allowed

16. provision for loss of subsidiary  
provision for deferred Tax  
provision for diminution in value of Asset  
provision for unascertained liability

} not allowed

17. **Settlement Amounts** incurred due to an infraction of law & relate to Contraventions etc - Not allowed as business expenditure.

18. **Expenditure** incurred for settling Regulatory defaults under specified Acts

✓ Securities & Exchange Board of India Act, 1992 (SEBI Act)

✓ Securities Contract Regulation Act, 1956 (SCRA)

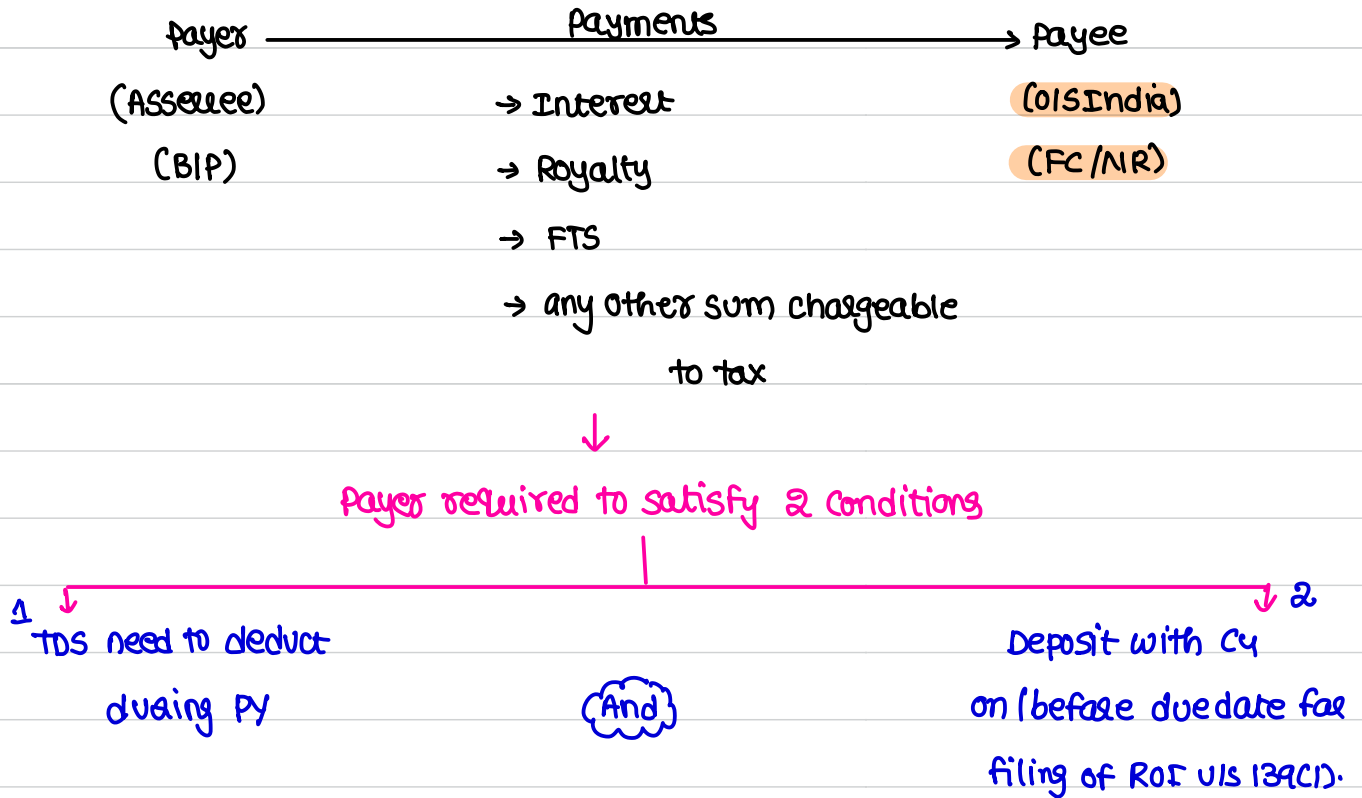
✓ Depositories Act, 1996

✓ Competition Act, 2002

Not allowed as business Expenditure

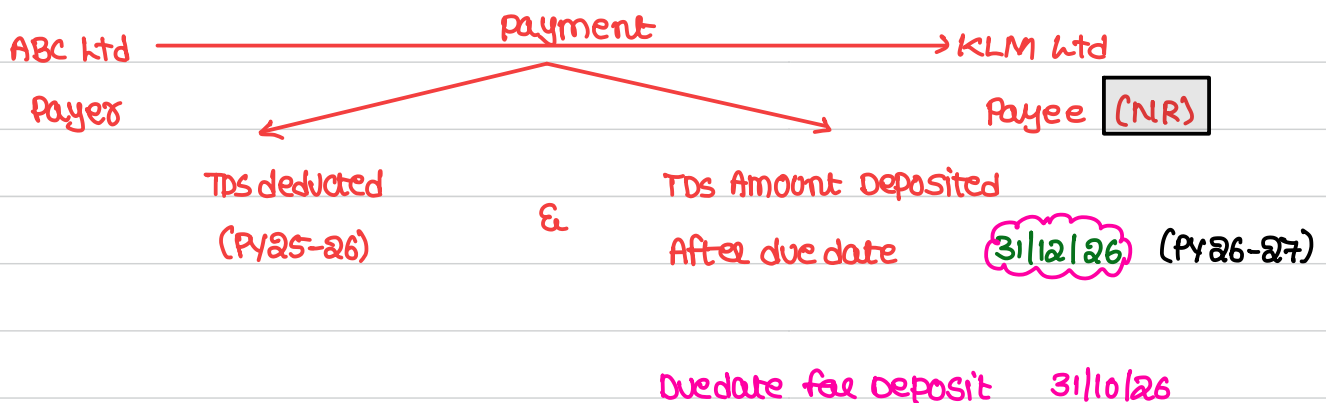
21) Sec 40: Disallowable Expenditure

a) sec 40(a)(i)



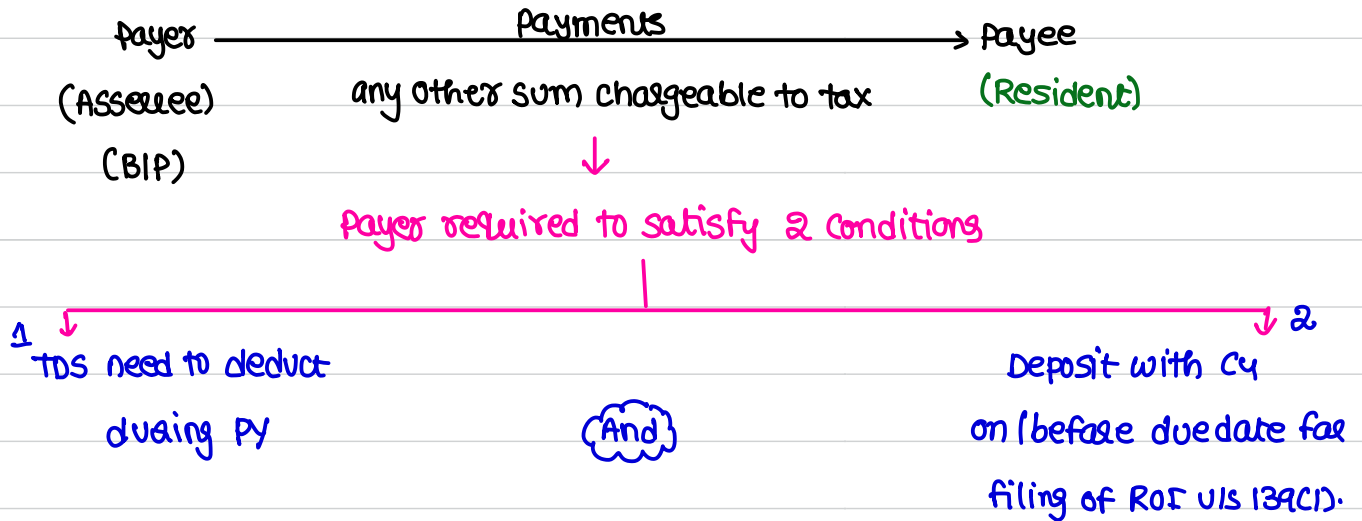
If not satisfied : 100% of such Expenditure should be disallowed.

Note: TDS deducted but not deposited within due date u/s 139C1D → disallowed in the PY but same will be allowed in the year of Actual payment.



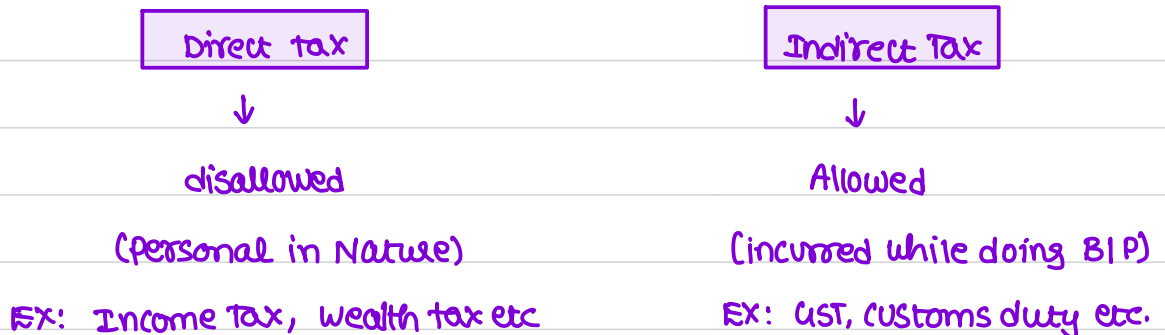
PY 25-26 ↓ 100% of such expenditure shall be disallowed.	PY 26-27 ↓ Allowed in the year of actual Payment
---	---

b) sec 40(a)(ia)

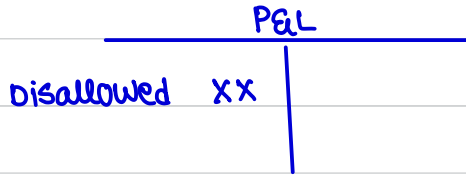
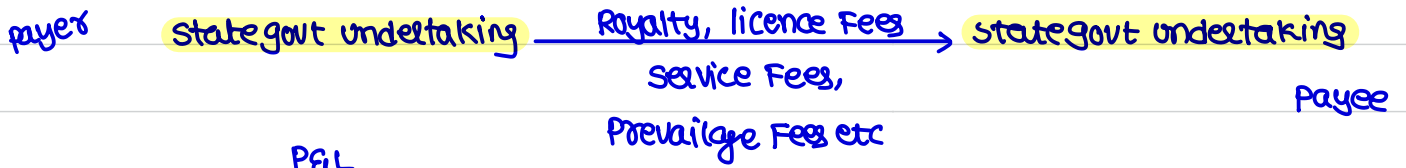


If not satisfied : 30% of such Expenditure should be disallowed.  
 [But the same will be allowed as deduction in the year of actual payment]

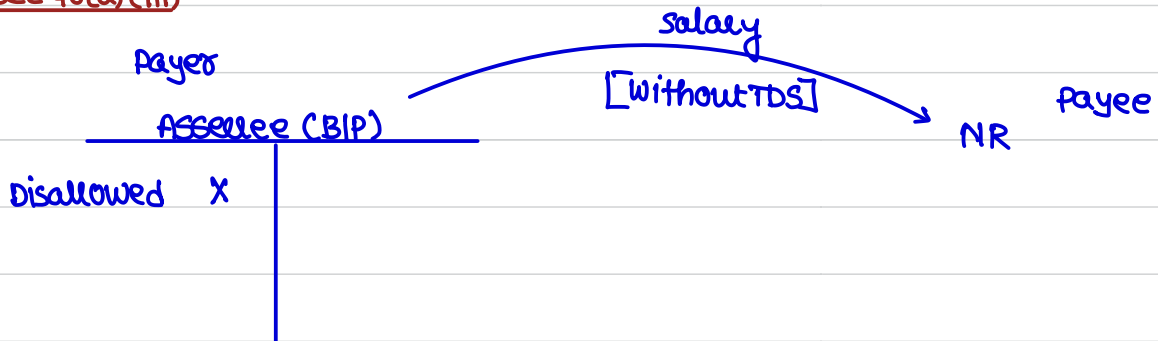
c) sec 40(a)(ii)



d) sec 40 (a) (iib)

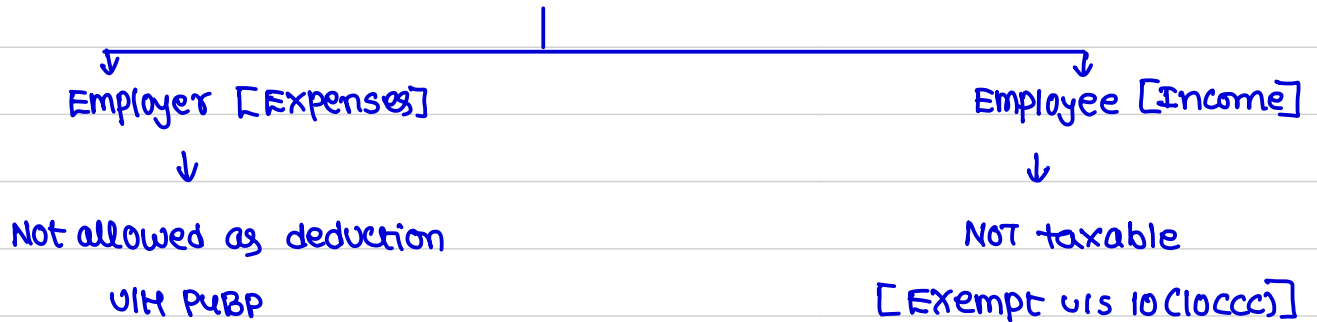


e) sec 40(a) (iii)



f) sec 40 (a) (v)

Tax on "non monetary perquisite" paid by ER on behalf of Employee.



9) Sec 40A(2): Payments to relatives / close Associates [Specified persons]

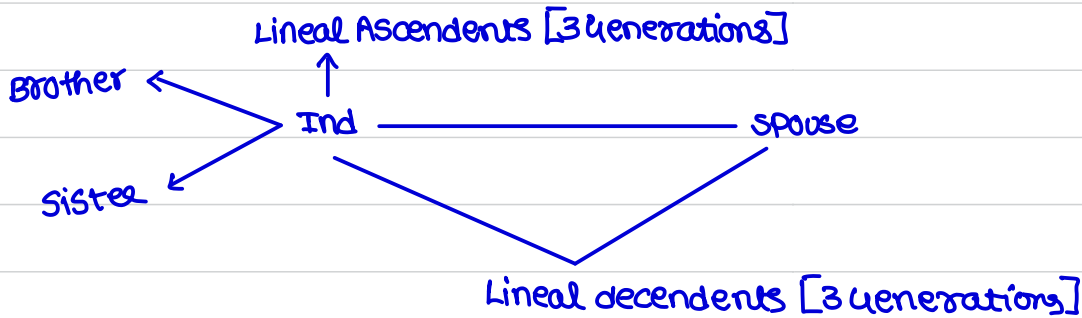
P&L A/c	
TO A (outsider)	
TO B "	
FMV 2,55,000 TO C (Relative) 2,50,000	} Excess over FMV = ₹16,000 should be disallowed
FMV 95,000 TO D (Relative) 1,11,000	

Conditions:

1. Expenditure is debited to P&L A/c
2. Payments made to relatives & close Associates
3. If payment > FMV, Excess over FMV shall be disallowed.

Specified person

a) Ind



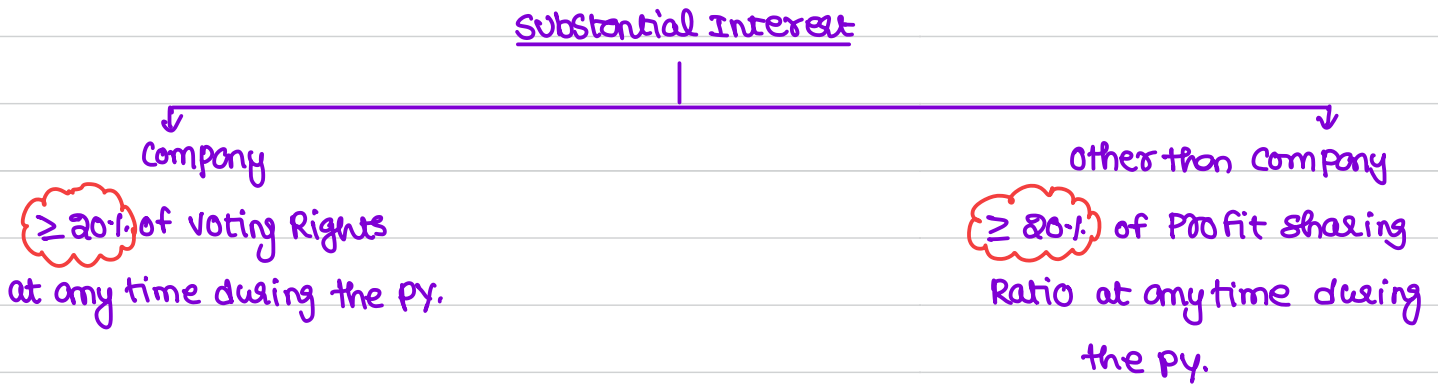
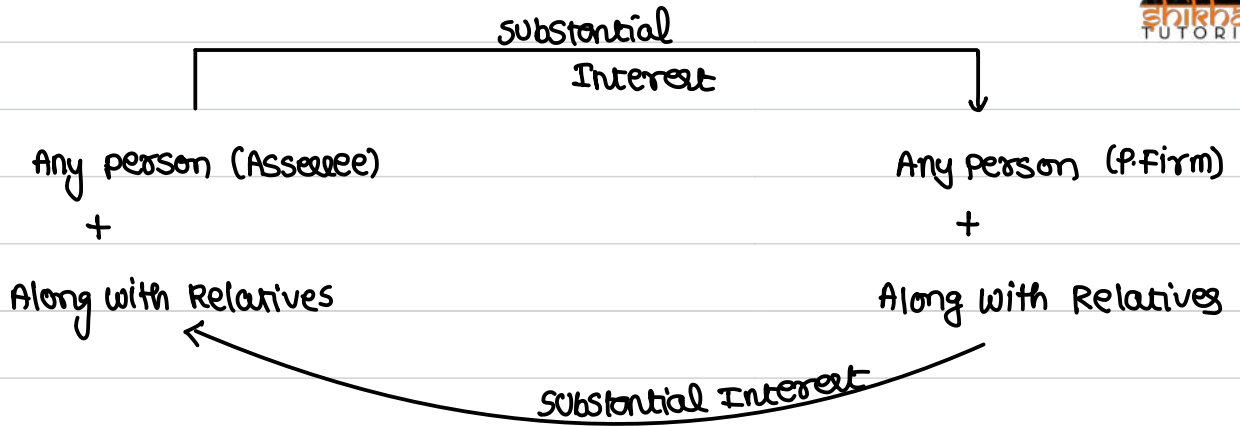
b) HUF - members & their relatives

c) Firm/LLP - partners & their relatives

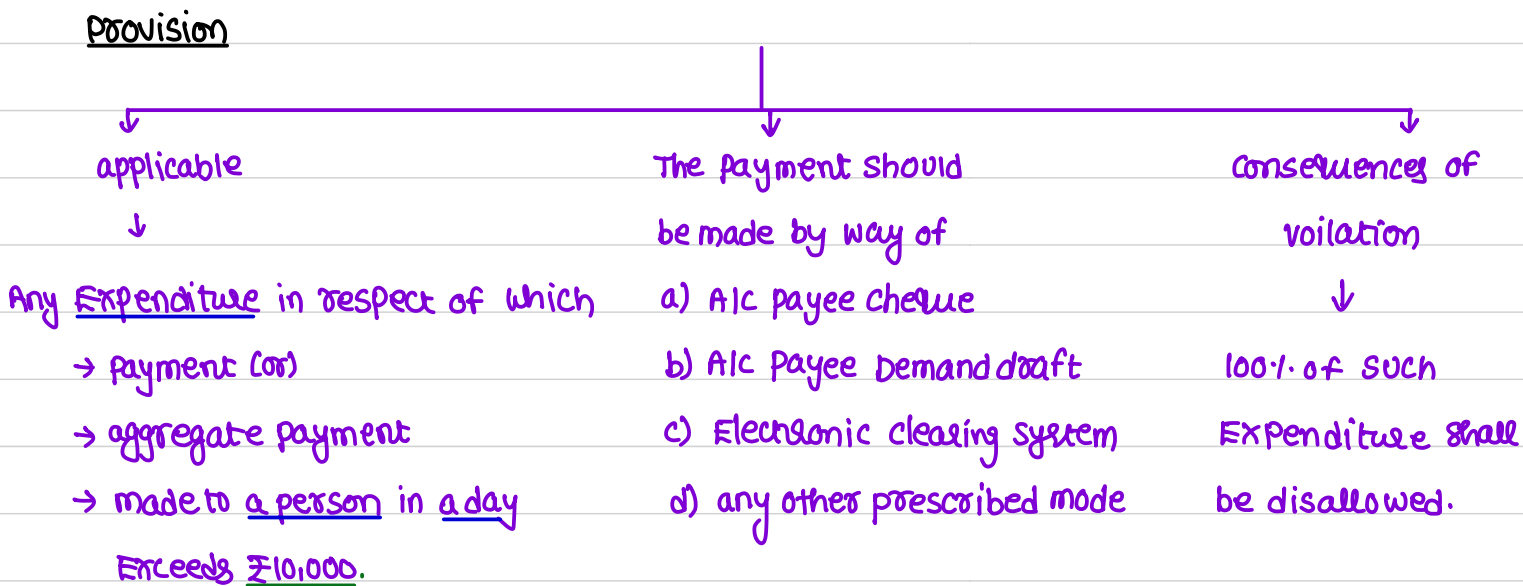
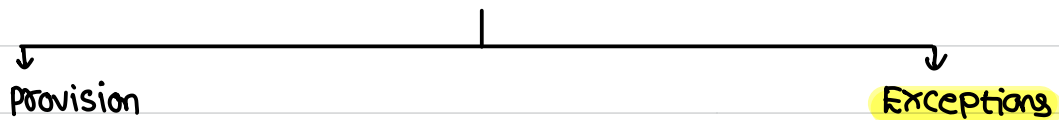
d) Company - Directors & their relatives

e) AOP/BOI - members & their relatives

f)



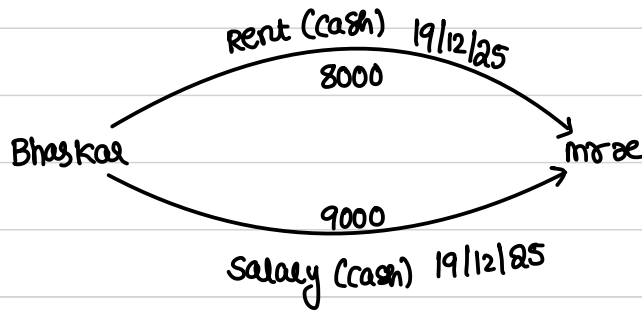
h) Sec 40A(3): Disallowance of cash payments exceeds ₹10,000



[If payment made to transport operator

then limit will be ₹35,000]

EX



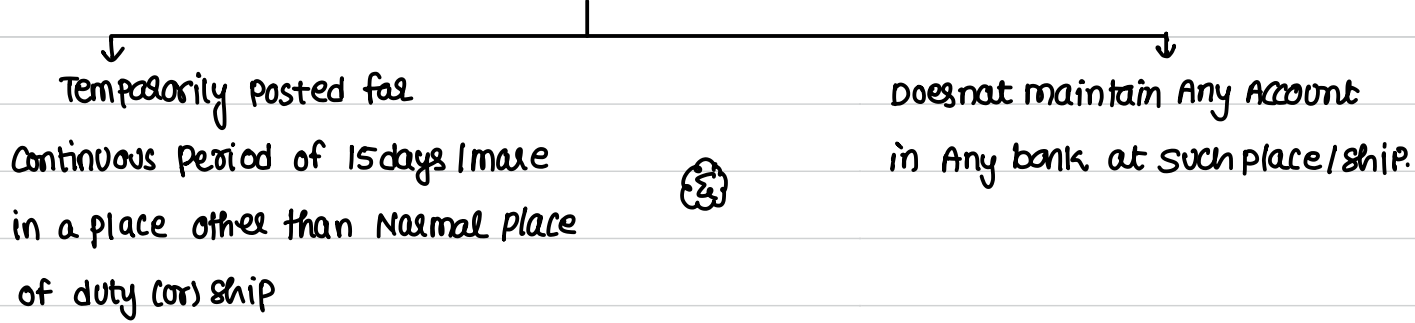
here sec 40A(3) will not apply  
(Expenditure in Individually  
not exceeding ₹10,000)

RULE 6DD : Exceptions to sec 40A(3) i.e. In the following cases sec 40A(3) will not apply

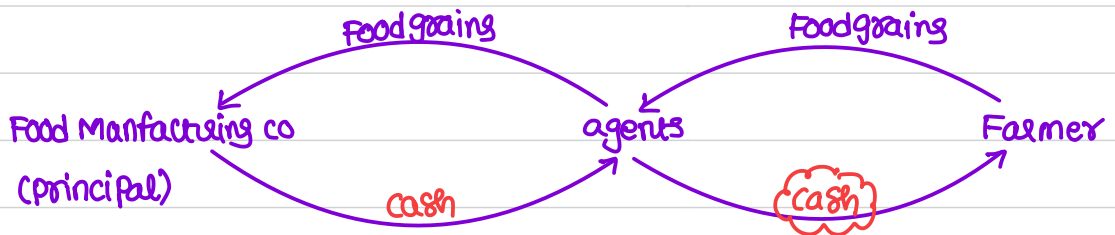
- where payment made to RBI, Banks, cooperative banks, primary agricultural credit Society etc.,
- where the payment is made by credit card, debit card, letter of credit through Bank
- where the payment by way of gratuity, compensation etc is paid to employee (or) legal heirs, if the Income from salary does not exceed ₹50,000 P.a.
- where the payment made to Govt
- where the Payment is made by way of book adjustments
- where the payment is made for the purpose of
  - ✓ Agricultural / forest produce
  - ✓ Animal husbandary / dairy / Poultry
  - ✓ Fish / Fish products
  - ✓ products of horticulture / Apiculture.
- where the payment is made for the purchase of products manufactured without using power.

h) where the payment is made in a village / town, on the date of such payment is not served by Any bank (bank holidays)

i) where the payment is made by of salary to EE and when such EE

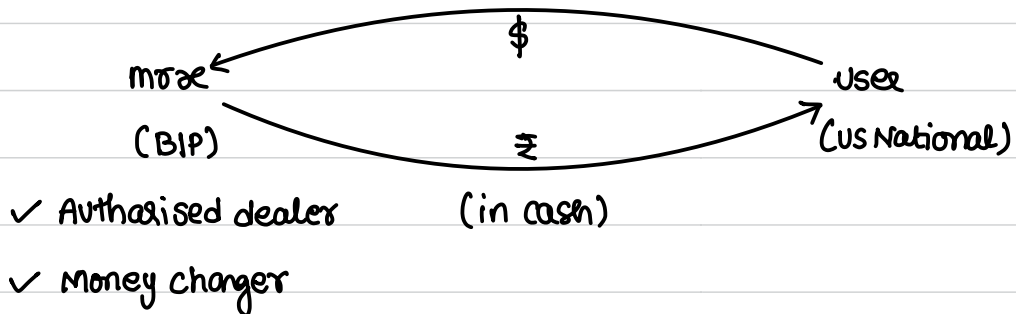


j)



where the payment made by way any person to his agent, who required to make payment in cash for goods / services on behalf of such person.

k)



where the payment is made by Authorised dealer (or) money changer against the purchase of foreign currency in the Normal course of business.

Note:

1. This provision is applicable for all categories of expenditures involving payment for goods/services which are deductible for computing taxable income (sec 30-37)
2. Payment through "crossed cheque / bearer cheque" is subject to disallowance u/s 40A(3).
3. provision of sec 40A(3) is applicable only in computing income u/H PUBP & IFOs.



Deduction claimed on accrual basis in any preceding FY, but the payment made other than A/c payee cheque/DD/ECS/other modes, then such amount shall be deemed as business income u/s 41. (u/H PUBP).

I) Sec 40A(7): provision of gratuity is disallowed

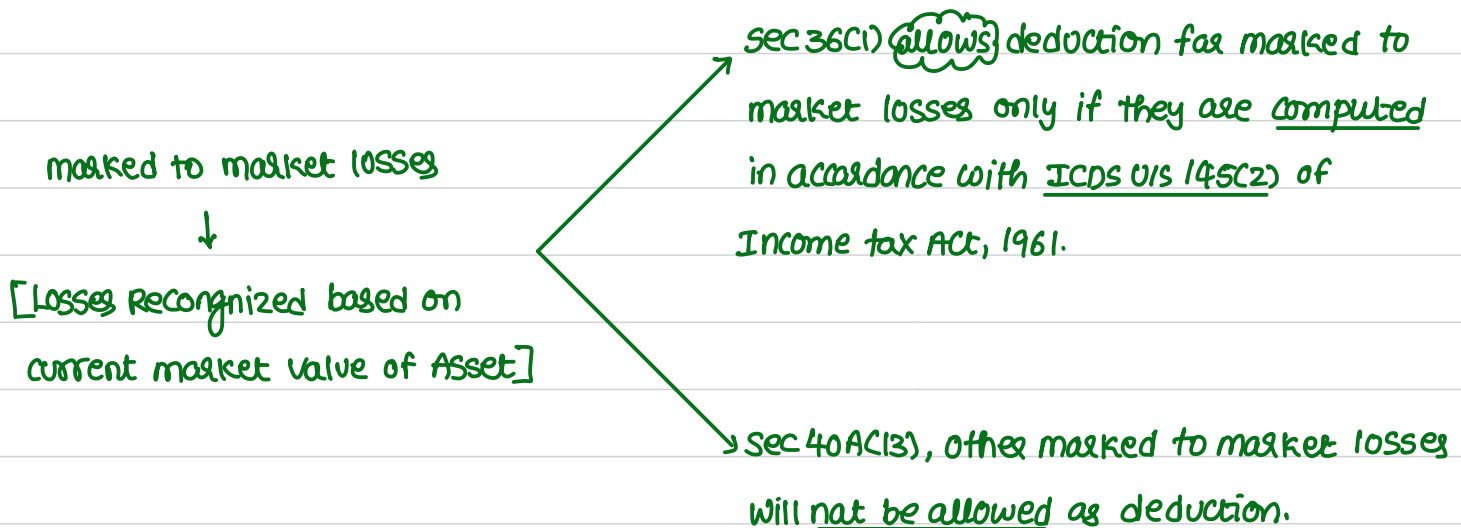
Employer can not claim deduction for any provision made for employee gratuity for future payment when employee's Retired/Death.

U/S 36(1), deduction are only allowed where the employer actually makes contribution to an approved gratuity fund (or) pays gratuity to employees

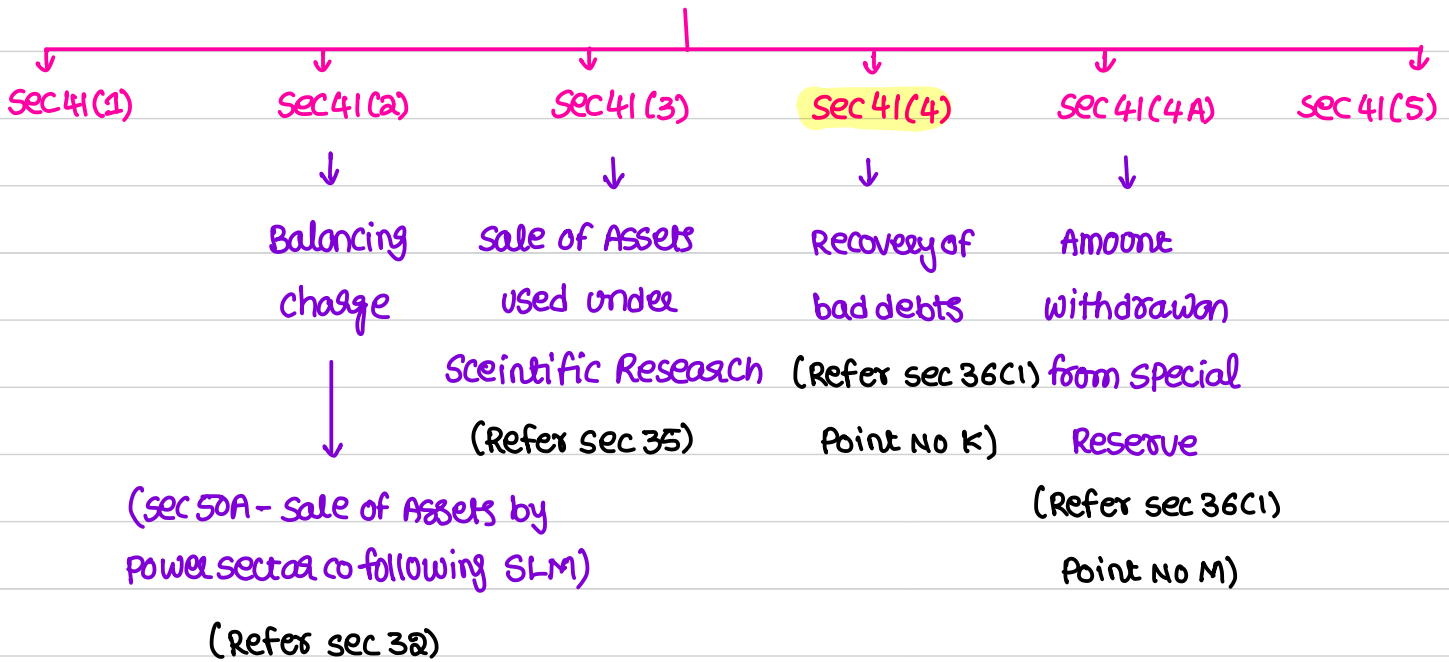
J) Sec 40A(9): Disallowance of Employer contribution to certain funds

U/S 40A(9) disallows deduction for employer contribution that don't genuinely benefits employees.

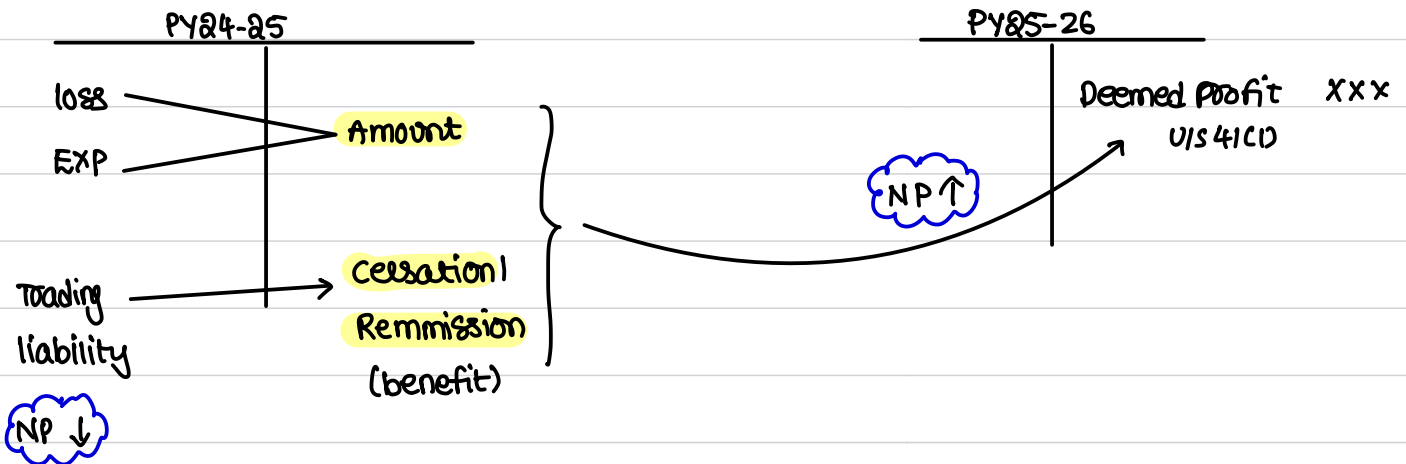
K) Sec 40A(13): Disallowance of marked to market losses



## 2a) sec 41: Deemed profit



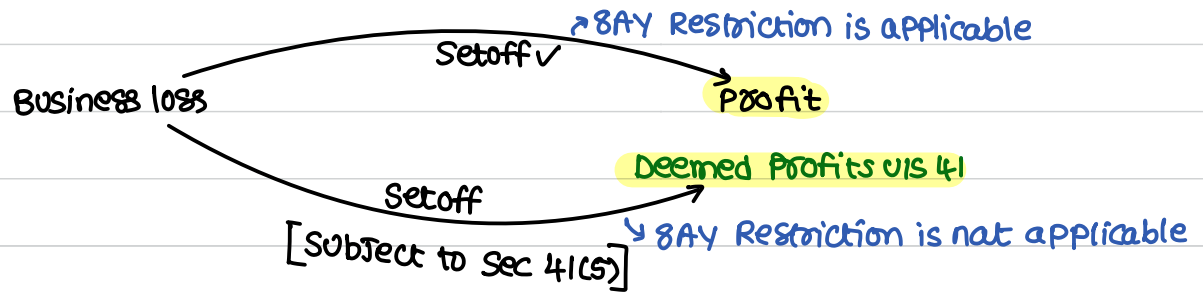
### a. Sec 41(1): Remission / cessation of Trading liability



If a business claims deduction for certain loss, Expenditure & Trading liability and later some Amount & benefit Received, because of forgiven (or) cessation / Trading liability, this Amount & benefit so Received taxed as business Income u/s 41(1).

Note: If business taken over by any other person (Successor), the Successor will liable to pay tax on Amount / benefit Received in subsequent years.

b. sec 41(5): Brought forward losses of defunct / discontinued business



Mr M cloth business

Year	1	2	3	4	5	27 <sup>th</sup> year
	(2L)	(4L)	(5L)	(8L)	(6L)	Recovery of bad debts
					↓	
					discountined business	
						30L
						(-) B.Loss
						<u>(6L)</u>
						<u>24L</u>

BIF & setoff

(Discontinued year - loss only)

We can set off against Deemed Profits)

as per sec 41, certain Receipts that are treated as income U/M P&BP, even if the business has ceased to exist, when the income is Received.

23. sec 43A: Change in Rate of Exchange of Currency (Read with ICOS V & VI)

	Case 1	Case 2
Date of loan	15/7/05	
Repayment	(31/3/06)	
	1\$ = ₹90	1\$ = ₹115
	↓	↓
\$ 1,00,000 (1\$ = ₹100)	Gain	Loss
for purchase of Asset	(Reduce from block)	(added to block)

Asset acquired from foreign country, through loan in foreign currency / foreign suppliers credit, If any loss / gain arising at the time of payment shall be adjusted with in block.

## 24. Sec 43AA: Taxation of foreign exchange fluctuations

Any gain/loss, being computed in accordance with ICDS VI, arising on Account of Any changes in foreign exchange Rates shall be treated as Income/ Loss.

Such gain/loss Related to

- ✓ Monetary & Non monetary item
- ✓ Translation of FS of foreign operations
- ✓ Forward Exchange contract
- ✓ Foreign currency translation Reserve.

## 25. Sec 43B: certain deductions only allowed on actual payment basis

following Expenses are allowed only on actual payment basis

within due date for filing of RoI u/s 139CD.



a) Tax, duty, Cess (or) Fees (i.e. Indirect taxes)

With Interest

b) Employer contribution to welfare schemes

eg: PF, SA, gratuity fund etc..

c) Bonus/commission

d) Interest on loan paid to

- Public financial Institutions
- State financial Corporation
- State Industrial Investment Corporation
- scheduled bank
- cooperative bank (other than)
- NBFC

Primary agricultural credit Society & Primary cooperative agricultural and rural development bank

e) leave salary

f) Any sum payable to Indian Railways for use of Railways.

g) Payment to a micro (or) small enterprise.

Sum payable by Assessee to micro / small enterprise, beyond the time limits mentioned under Sec 15 of micro, small, medium enterprise development Act, 2006



would be allowed as deduction only in that previous year in which such sum is actually paid.

### Sec 15 of MSMED Act, 2006

↓  
As per written Agreement  
b/w buyer & seller



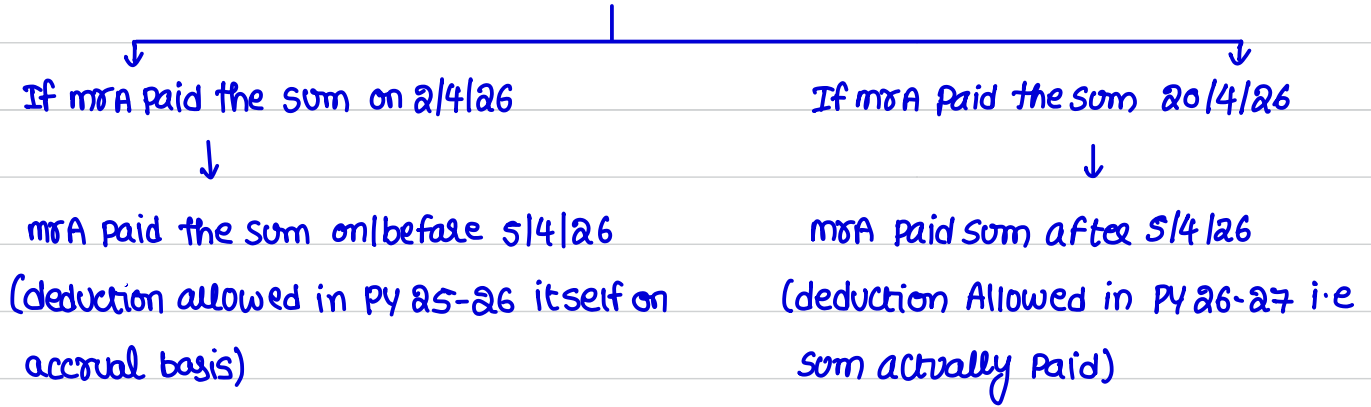
Within 45 days from the  
acceptance of goods / services.

↓  
If there is No written  
Agreement

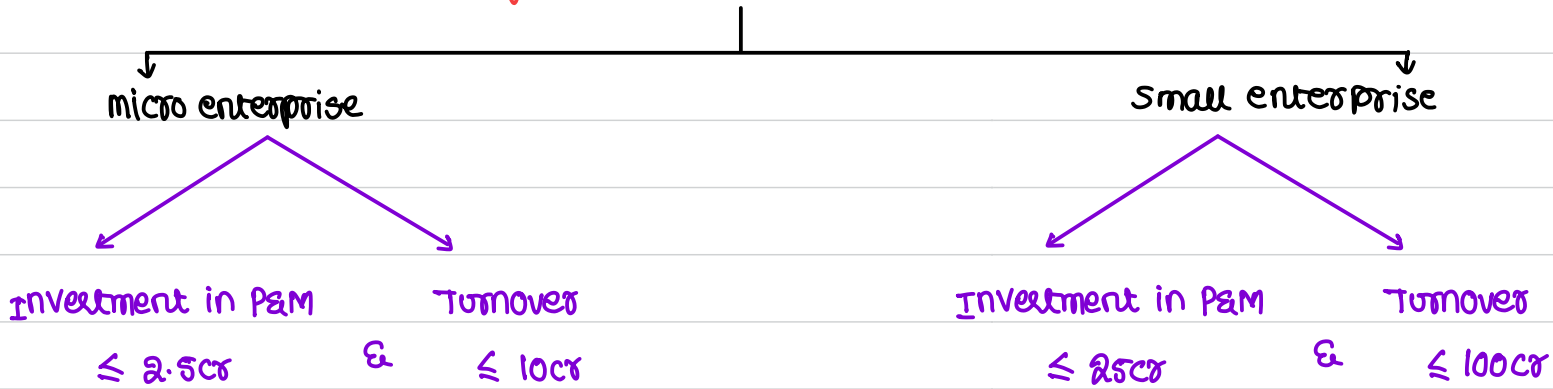


Within 15 days from  
acceptance of goods / services.

Example : Mrs A purchased goods of ₹ 10,000 from A & Co, a micro enterprise on 1/3/26. As per written Agreement b/w them, the payment has to be made by 5/4/26. Mrs A following mercantile method of Accounting.

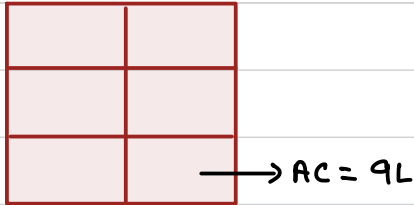


meaning of micro & small enterprise



26. Sec 43CA: Determination of Consideration in case of Transfer of immovable property

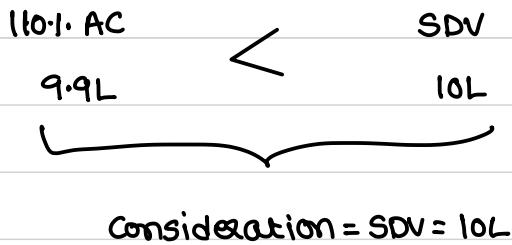
M/A Real estate business



Flat (Stock in trade)

PUBP

sale consideration	10L
↔ cost	<u>(6L)</u>
	<u>4L</u>



Sec 43CA

- ✓ Assessee → Any Assessee
- ✓ Transfer of L/B Both being SIT



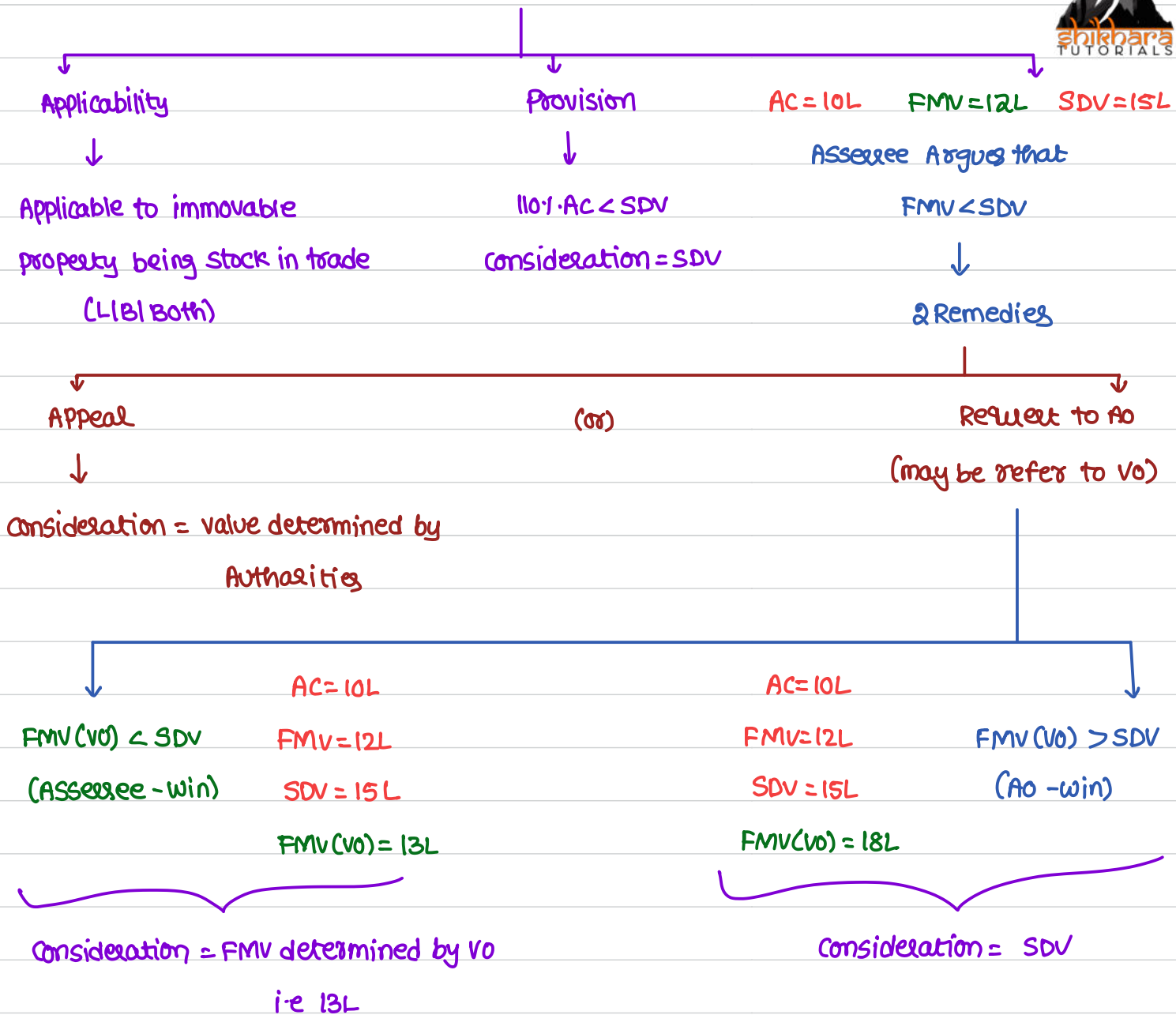
110% AC < SDV  
 Consideration = SDV

Sec 50C

- ✓ Assessee → Any Assessee
- ✓ Transfer of L/B Both being CA



110% AC < SDV  
 Consideration = SDV



Example

Case 1

AC = 10,00,000  
 SDV = 13,00,000

↓

$110\% \cdot AC < SDV$   
 $11L < 13L$

Sec 43CA will Apply

Consideration = SDV = 13L

Case 2

AC = 10,00,000  
 SDV = 10,80,000

↓

$110\% \cdot AC < SDV$   
 $11L > 10.8L$

Sec 43CA will not apply

Consideration = AC = 10L

Note:

AC = 50L

12/11/25

Date of Agreement

SDV = 62L

1/2/26

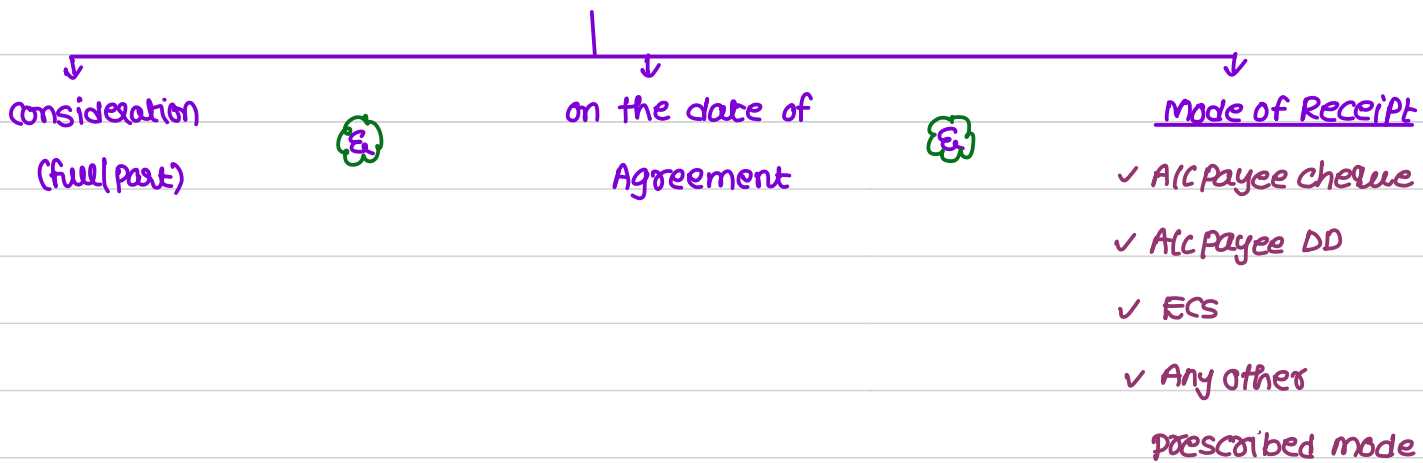
Date of Registration

SDV = 70L

Different

Date of Agreement - SDV, only considered

If following conditions are satisfied



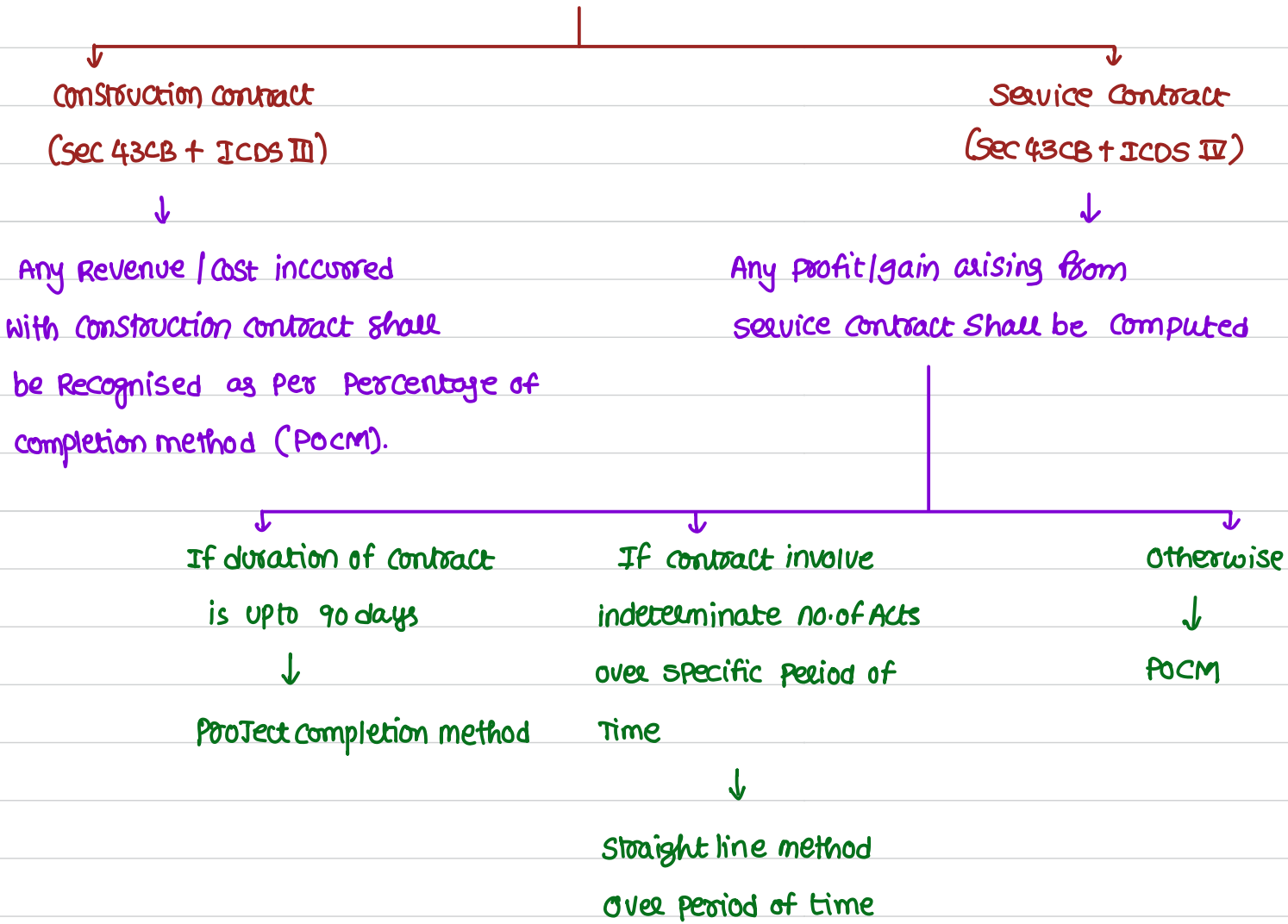
Otherwise, we can take SDV - as on the date of Registration.

## Example

SDV

	Date of transfer	AC	Date of Agreement	Date of Registration	Sale consideration
1	1/9/25	100L [10L Received by A/c payee cheque on 1/7/25]	120L (1/7/25)	210L (1/9/25)	120L
2	1/9/25	100L [10L Received by cash on 1/7/25]	109L (1/7/25)	130L (1/9/25)	130L
3	31/1/26	100L [10L Received by A/c payee cheque on 1/7/25]	109L (1/7/25)	130L (31/1/26)	100L
4	31/3/26	100L (full Amount Received in cash on the date of Registration)	120L (1/5/25)	130L (3/3/26)	130L

Q7. Sec 43CB: Income from construction contract & service contract



\* contract revenue includes Retention money also

\* Contract cost shall not be reduced by Interest, Dividend, Capital gain [Incidental Income]

## 28. Sec 43D: special provision in case of public financial institution

In case of

- public financial institution
- scheduled bank
- cooperative bank (other than) Primary Agricultural credit society /  
Primary cooperative Agricultural & Rural Develop  
Bank
- state financial corporation
- State Industrial Investment Corporations
- NBFC

Income by way of (Interest) on such categories of bad & doubtful debts by following guidelines issued by RBI, shall be chargeable to tax in the FY.

- ✓ year in which interest credited to P&L A/c
  - (or)
  - ✓ year in which interest actually received
- } which ever is earlier.

## 29. Sec 44DB: Method of computing deduction in case of business Reorganisation of cooperative banks

- a) Depreciation u/s 32
- b) Amortisation of Preliminary Expenses u/s 35D
- c) Amortisation of Expenses under Amalgamation / Demerger u/s 35DD
- d) Amortisation of VRS Expenditure u/s 35DDA

↓

(appartioned) b/w predecessor & successor.

Predecessor:

$$\text{Quantum of deduction} \times \frac{1/4/\text{PY To date immediately Preceding to Reorganisation}}{\text{Total No. of days.}}$$

Successor:

$$\text{Quantum of deduction} \times \frac{\text{Date of Reorganisation to 31/3/PY}}{\text{Total No. of days.}}$$

### 30. Composite Activity

MRA

Coffee: grown, cured, Roasted, Grounded



sale	20,00,000
(-) EXP. growing	(3,00,000)
(-) EXP. Manf	<u>(12,00,000)</u>
Profit	5,00,000

AI @ 60%	BI @ 40%
3,00,000	2,00,000

Particulars

Business

Agricultural

Income

Income

1. Income from sale of Rubber  
Products derived from Rubber plants

35%

65%

2. Income from sale of coffee

→ grown, cured by seller

25%

75%

→ grown, cured, Roasted, Grounded by seller

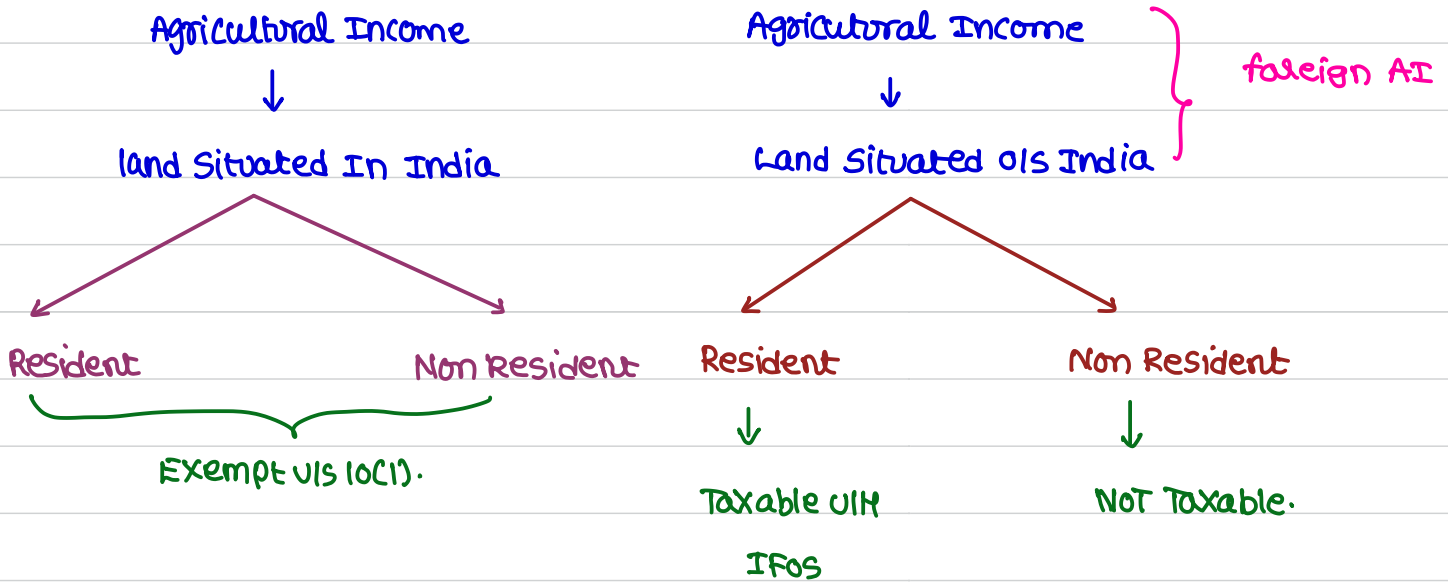
40%

60%

3. Income from sale of tea grown & manufactured by seller 40%.

60%

higher portion representing - AI



\* Income derived from Nursery is treated as Agricultural Income. [Soundarya Nursery case law]

M&A  
AI → Exempt u/s 10(1)

M&B  
AI  
&  
NAI → Aggregation method/  
Integration method.

Applicability of Aggregation method

AI > 5000 Pa



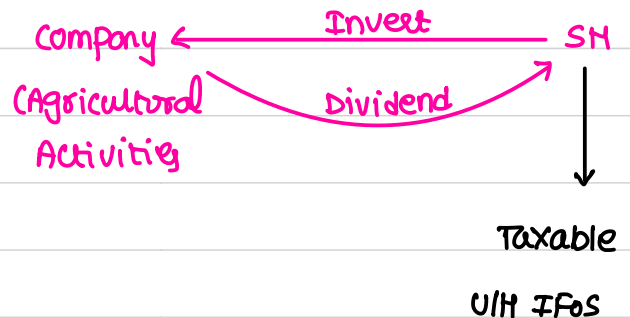
NAI > BEL

→ Assessee having only Incomes taxable at special tax Rates } Aggregation method  
 → Company, P.Firm, LLP etc - NO BEL } is not applicable.

Computation of Tax liability - Aggregation method

Step 1 :	Tax on (AI + NAI)	xxx
Step 2 :	Tax on (AI + BEL)	xxx
Step 3 :	Step 1 - Step 2	xxx
Step 4 :	add: surcharge (or)	xxx
	Less: Rebate u/s 87A	(xxx)
		xxx
Step 5 :	add: M&EC @ 4%	xxx
		xxx
	<b>Tax liability</b> →	xxx

Note



2.

## Expenditure incurred on feasibility study?

pritiya village Road Shows Ltd

↓

here feasibility Study were conducted by Assessee for existing line of business.

∴

Feasibility Study were abandoned without creating a New Assets.

Expenditure should be treated as  
Revenue Exp.

Expenditure incurred towards Feasibility study for examining New product line of activity has no connection with present business.

∴

Feasibility Study were abandoned without creating New Asset

Expenses should be treated as capital Expenditure.

# TDS & TCS

Tax Deducted at Source

Tax collected at source

Previous year



Income earned

Advance Tax

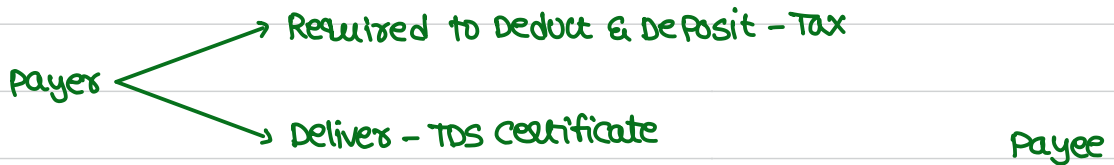
TDS & TCS

Assessment year



Payment of Tax

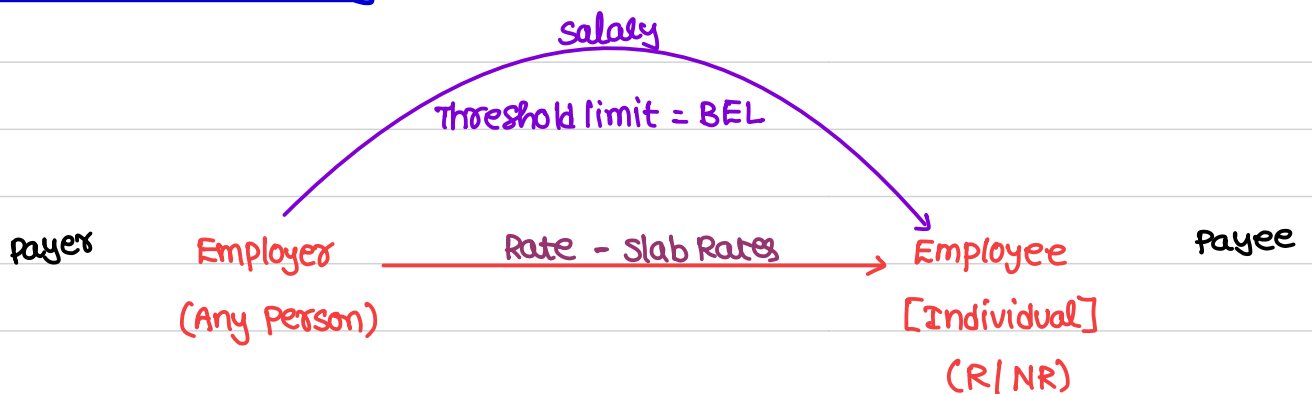
Example:



	Dream 11	Net winnings 7L	→ Mr F
Gross winnings	10L		<u>ROI + TDS certificate</u>
(-) TDS @ 30%	<u>(3L) → 40vt</u>		Salaries      xxx
Net winnings	7L		IFHP            xxx
			PGBP            xxx
			CY                xxx
			IFOS <u>10L (crossing up)</u>
			Cross Total Income      xxx
			(-) Chapter VIA deductions <u>(xxx)</u>
			Net Total Income      xxx
			Tax liability              xxx
			(-) TDS credit <u>(3L)</u>
			Tax payable / Refund → <u>xxx</u>

parameters:

1. sec No
2. Nature of payment
3. Threshold limit
4. payer
5. payee
6. Rate of TDS
7. Time of TDS
8. Exceptions

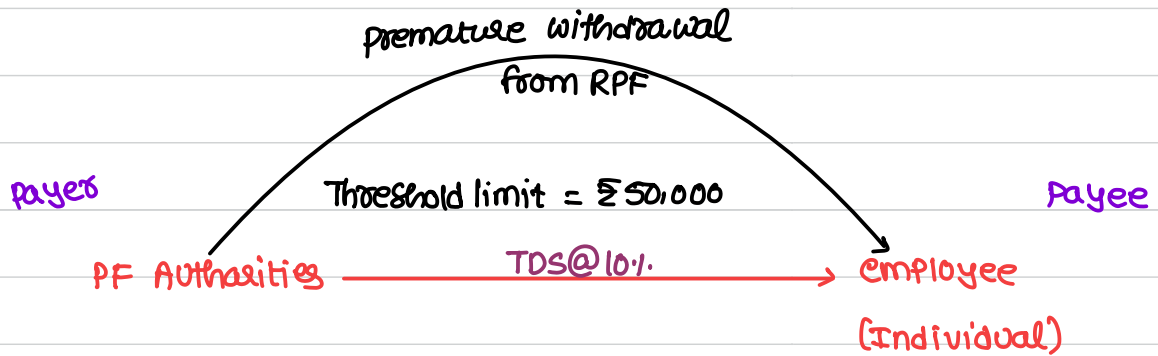
1. Sec 192: TDS on salary

Time of TDS: At the time of Payment

Exceptions: No need to deduct TDS on

- Exempted perquisites.
- &
- Exempted allowances.

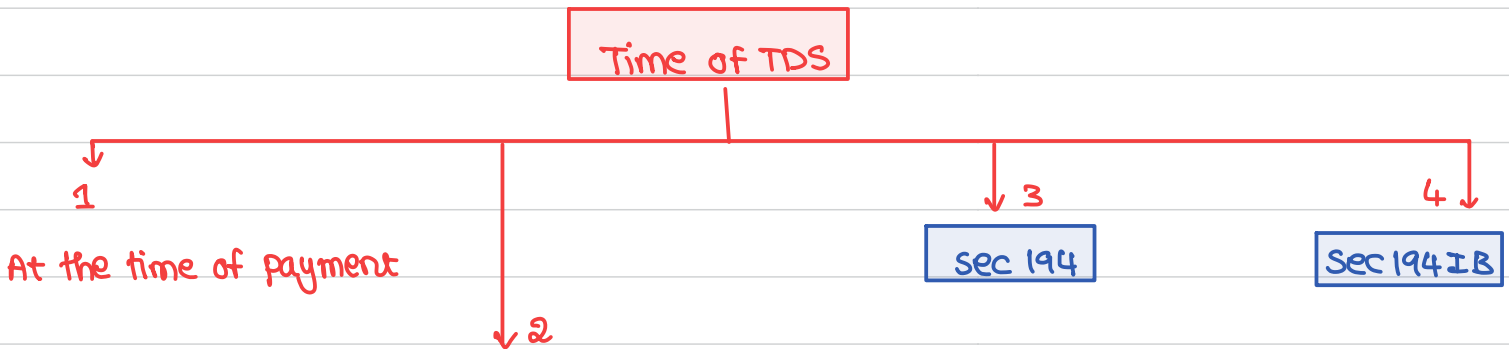
2. Sec 192A: TDS on premature withdrawal from RPF



Time of TDS:

at the time of payment

Exceptions: NIL.



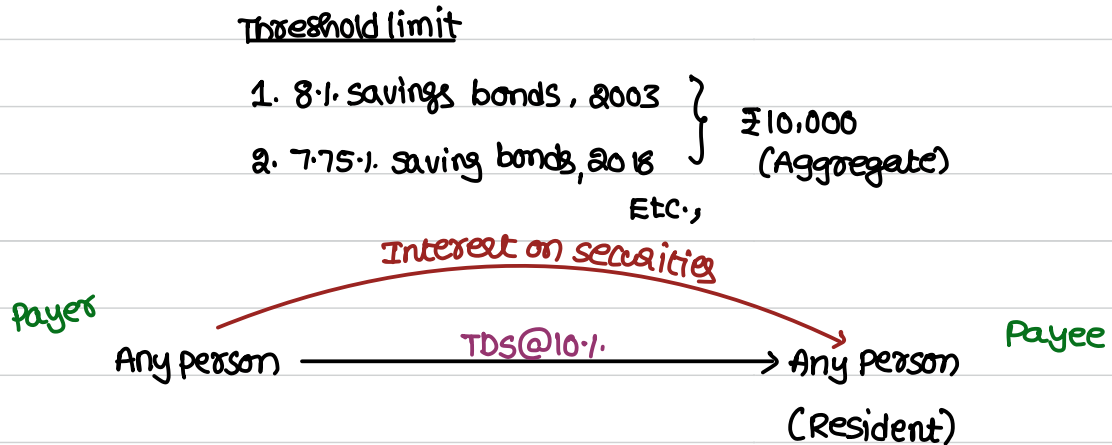
a. at the time of payment

(or)

b. at the time of credit entry  
in the books of A/c's of payee

which ever is earlier

### 3. Sec 193: TDS on Interest from securities

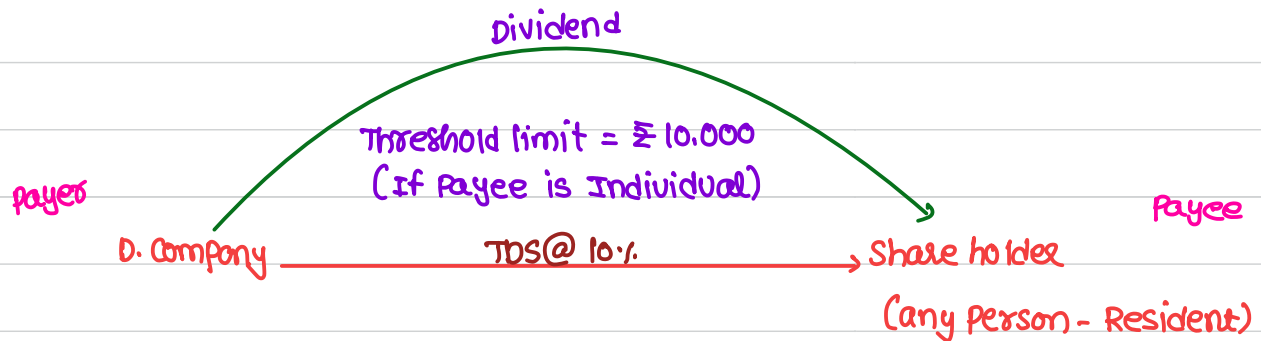


Time of TDS: 2

Exceptions: NO TDS to be made from any Interest Payable

1. 4 1/4% National defence bonds, 1972
2. 4 1/4% National Defence Loan, 1968
3. 4 3/4% " " " , 1972
4. National development bonds
5. 7 year National saving certificates (IV issue)
6. on debentures issued by institution / public sector co / cooperative society, as notified by govt
7. on any security of CU/SU
8. on securities to LIC, UIC, subsidiaries of UIC

#### 4. Sec 194: TDS on Dividend

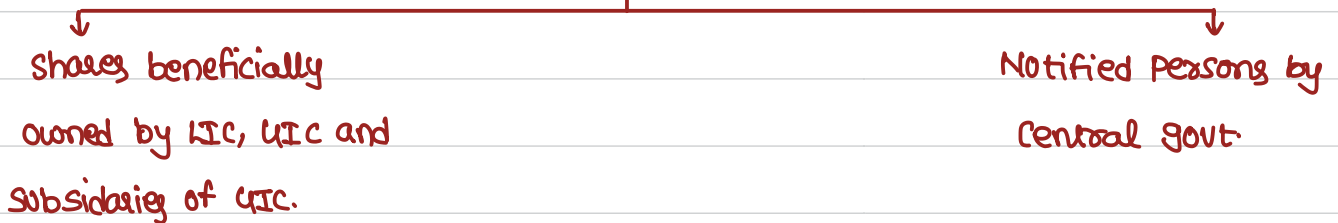


#### Time of TDS:

- at the time of payment  
(or)
- at the time of distribution of Dividend

#### Exceptions:

NO TDS on dividend paid / credited on





Examples

1.

	SBI (current A/c)			CBS adopted
	vizag	Chennai	Delhi	↓
MRF (354)	₹15,000	₹10,000	₹27,000	₹1L limit - Bank wise
	Total ₹52,000			

TDS vis 194A is Applicable

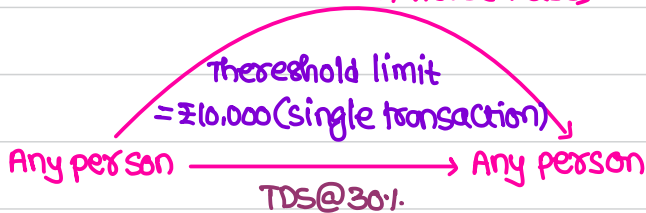
2.

	SBI (current A/c)			CBS not adopted
	vizag	Chennai	Delhi	↓
MRF (354)	₹15,000	₹10,000	₹27,000	₹1L limit - Branch wise
	↓	↓	↓	
	194AX	194AX	194AX	

6. Sec 194B: TDS on winnings other than horse Races

7. Sec 194BB: TDS on winnings from horse Races

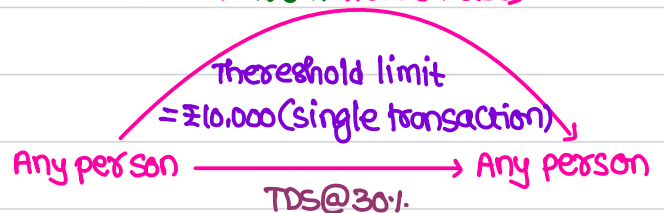
Winnings other than horse Races



Time of TDS: 1

Exception: NIL

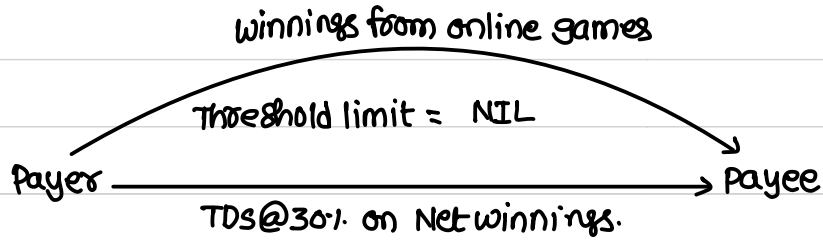
Winnings from horse Races



Time of TDS: 1

Exception: NIL

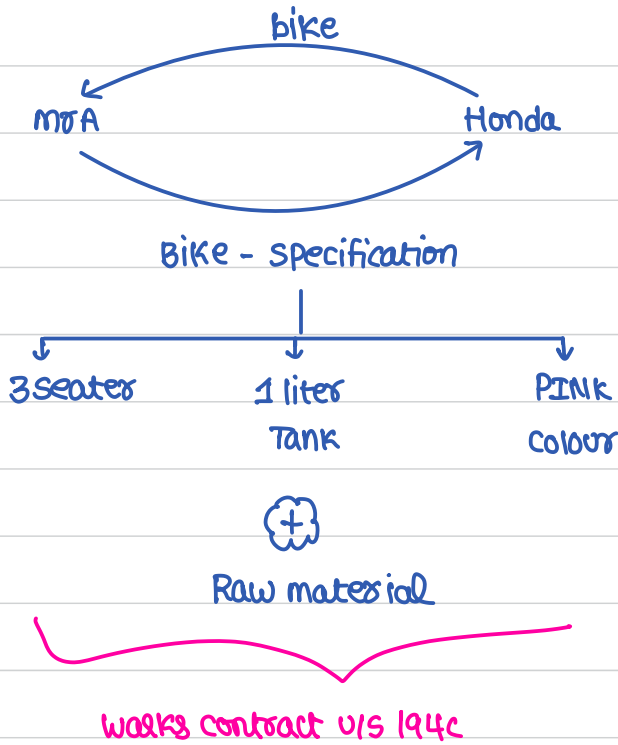
8. sec 194BA: TDS on Net winnings from online games



Time of TDS

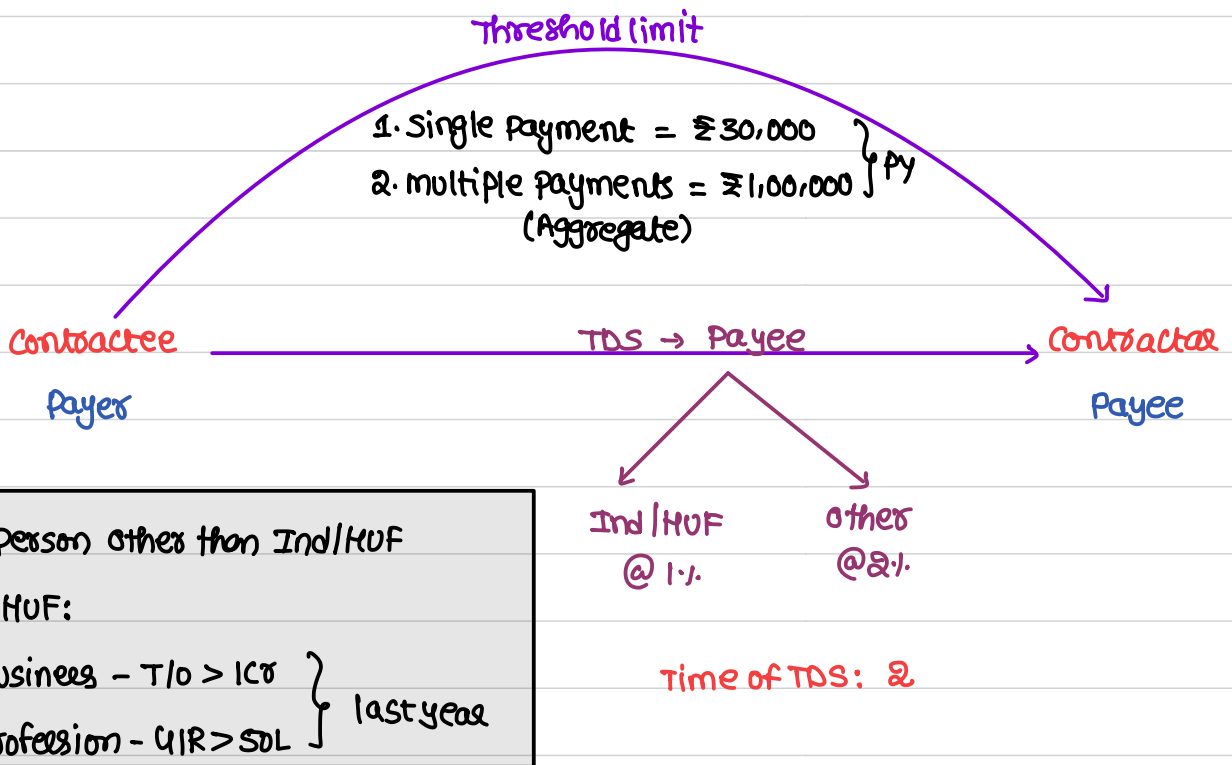


9. sec 194c: TDS on works contract



Works contract include:

1. Advertising
2. Broad casting & telecasting
3. Carriage of goods (or) passenger (other than Railways)
4. catering
5. manufacturing / supplying of product according to requirement.



Note:



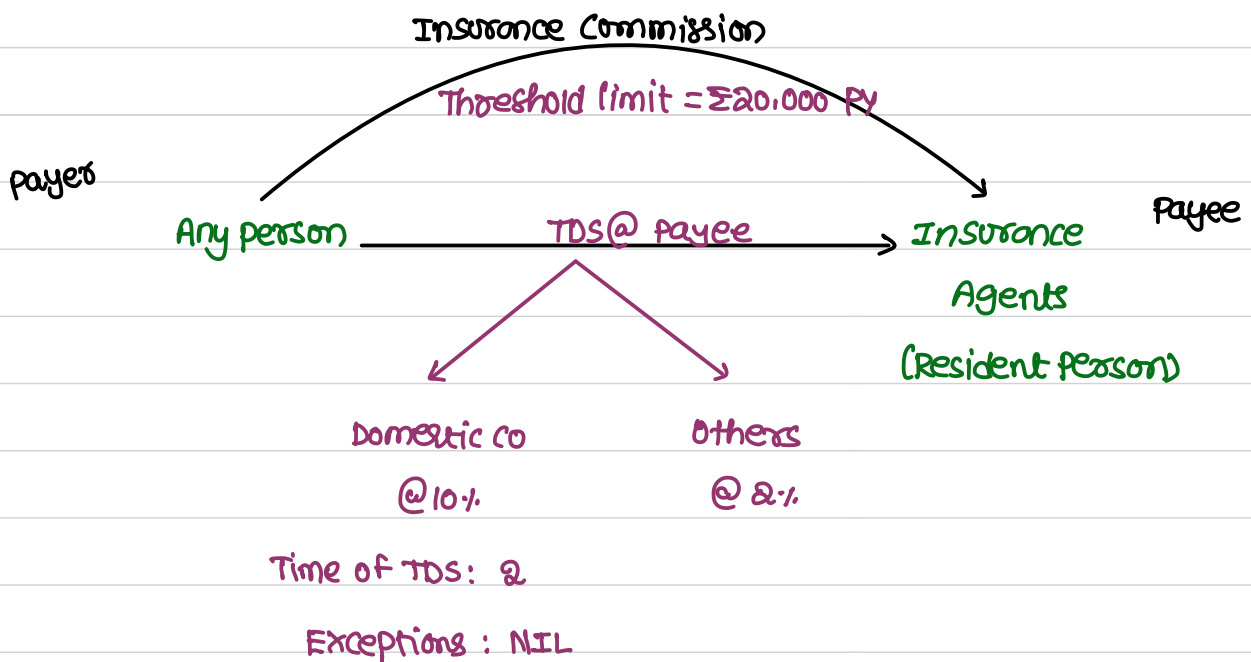
**Exception**

- Anything for personal purpose (Ind/HUF).
- Goods transporter owns less than 10 vehicles at anytime during PY
- ⊕ PAN furnished.

2. TDS shall not be deducted on material value supplied by customer if such value mentioned in the invoice separately.

3. TDS shall be deducted on invoice value excluding component of GST. (if GST shown separately in invoice).

10. Sec 194D: TDS on Insurance Commission



11. Sec 194DA: TDS on sum under life Insurance Policy

no I

1	2	3	4	-	-	-	-	10
50k	50k	50k	50k	-	-	-	-	50k

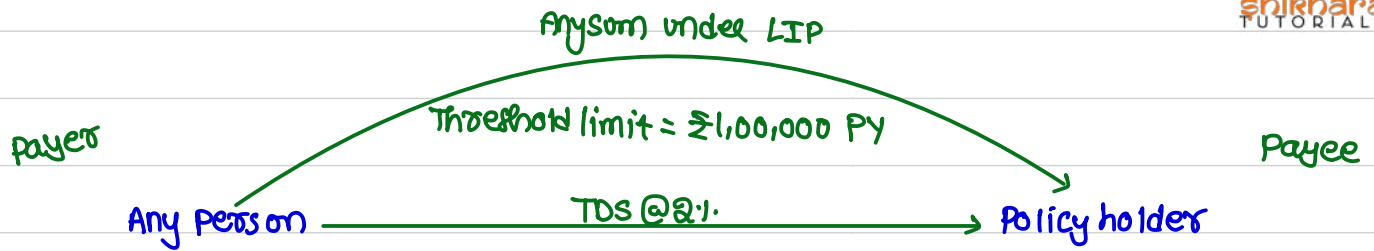
Premium (Expenditure)  
 Chapter VIIA deductions u/s 80C limits

maturity value

Sum assured value	5L
(+) Bonus / Int	3L
	<u>8L</u>

Conditions ✓

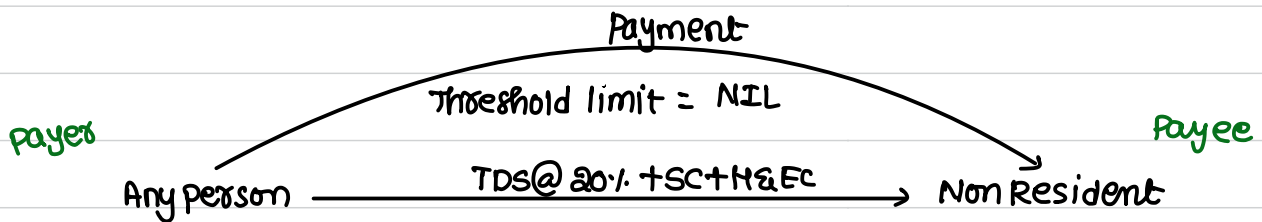
Income is exempt u/s 10(10D)



Time of TDS : 1

Exception: If any sum is exempt u/s 10(10D), then there is NO TDS.

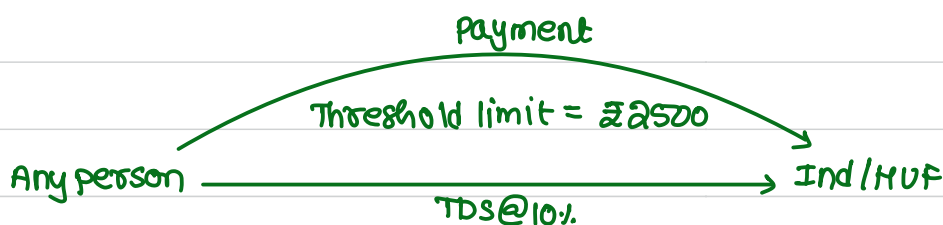
12. Sec 194E: TDS on payment made to NR sport person, NR entertainer, NR Sport Association



Time of TDS : 2

Exceptions : NIL

13. Sec 194EE: TDS on payment of deposit made under National Saving Scheme etc., (NSS)

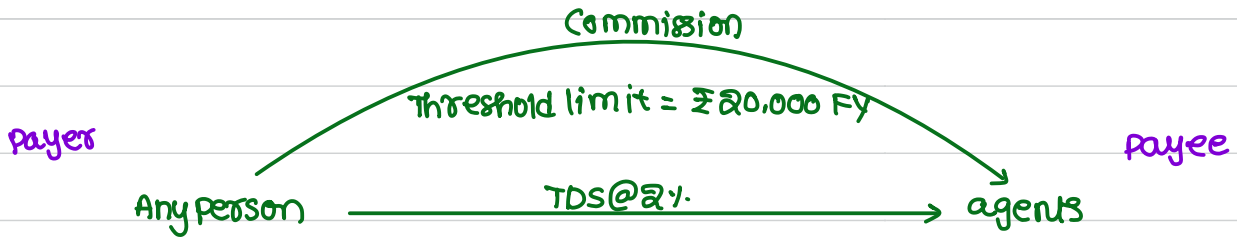


Time of TDS : 1

Exceptions: Payment made to legal heirs of Assessee / depositor.

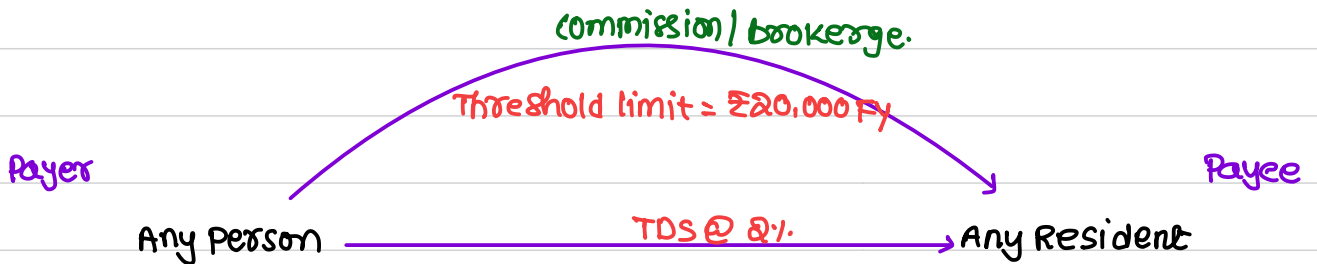
Amendment: NO TDS under SEC 194EE on Amount withdrawn under NSS [Notification NO 27/2025 dated 4/4/25]

14. SEC 194C: TDS on commission / Remuneration on sale of lottery tickets.



Time of TDS : 2  
 Exceptions : NIL

15. SEC 194H: TDS on brokerage / commission

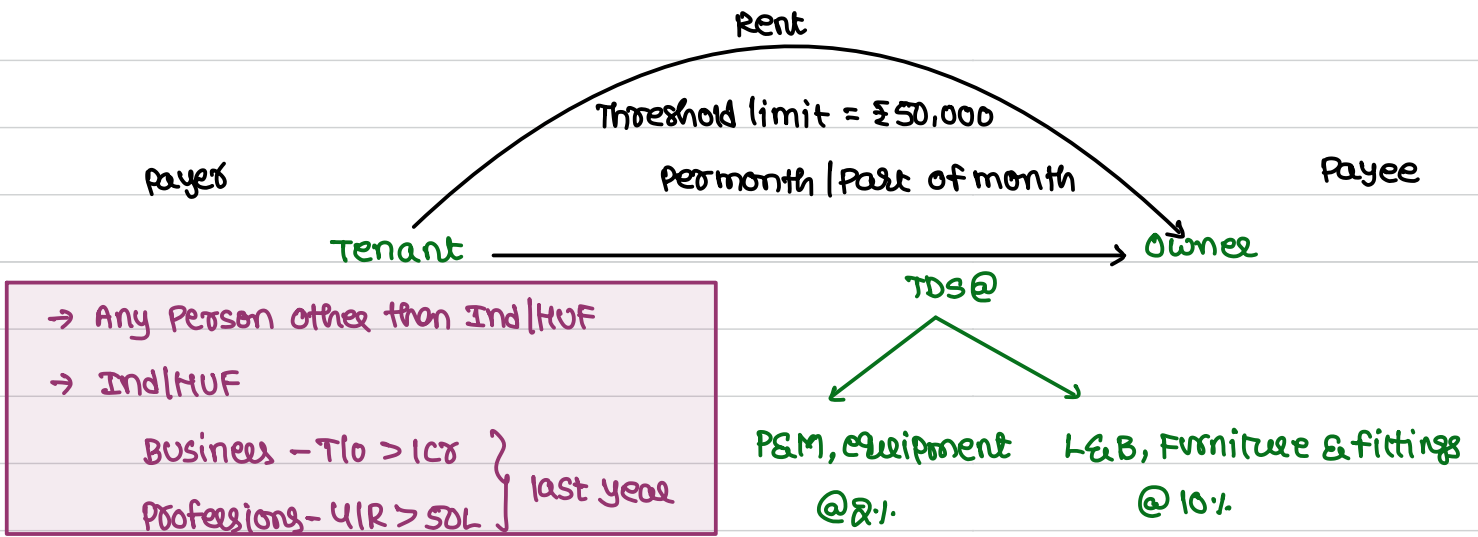


- Any person other than Ind/HUF
  - Ind/HUF
    - Business - T/O > 1Cr
    - Profession - G/R > 50L
- } last year

Time of TDS : 2

Exceptions: commission / brokerage payable by BSNL / MTNL to their PCO franchisees.

16. Sec 194I : TDS on Rent



Time of TDS : 2

Exceptions : NIL

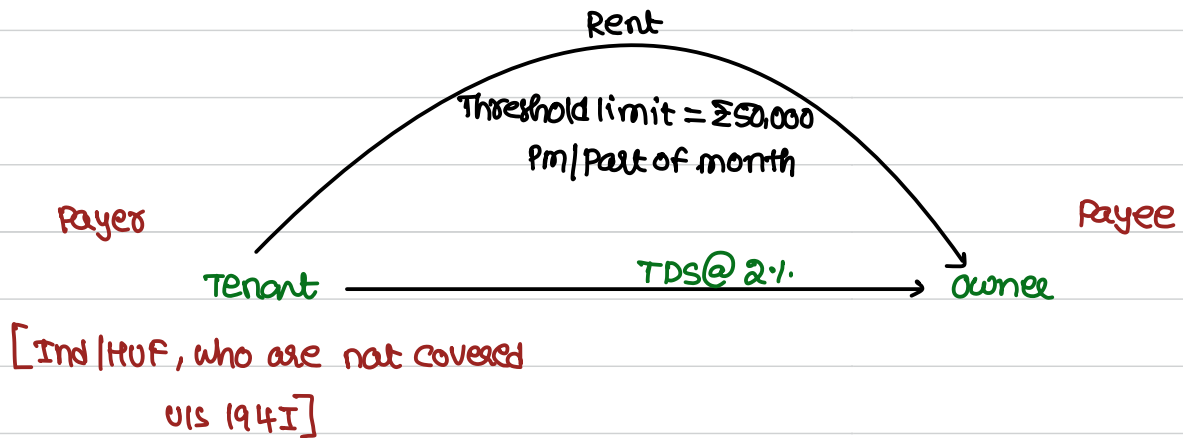
Note:



Threshold limit of ₹50,000 pm / part of month applicable to each co-owner separately.

2. NO TDS on GST component, if mentioned separately in invoice.

17. Sec 194IB: TDS on Rent by Ind/HUF, not covered vis 194I

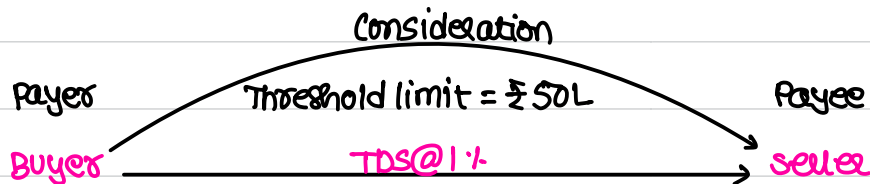


Time of TDS:

- a. i) last month of PY (or) march 26 (or)
  - ii) last month of vacancy (if Tenant vacated the property) Nov 25
  - b. at the time of payment Aug 25
- which ever is earlier.

Exceptions: NIL

18. Sec 194IA: TDS on sale of immovable property



- Any person other than Ind/HUF
  - Ind/HUF
    - ✓ Business - Tlo > 1cr
    - ✓ Profession - CIR > 50L
- } last year

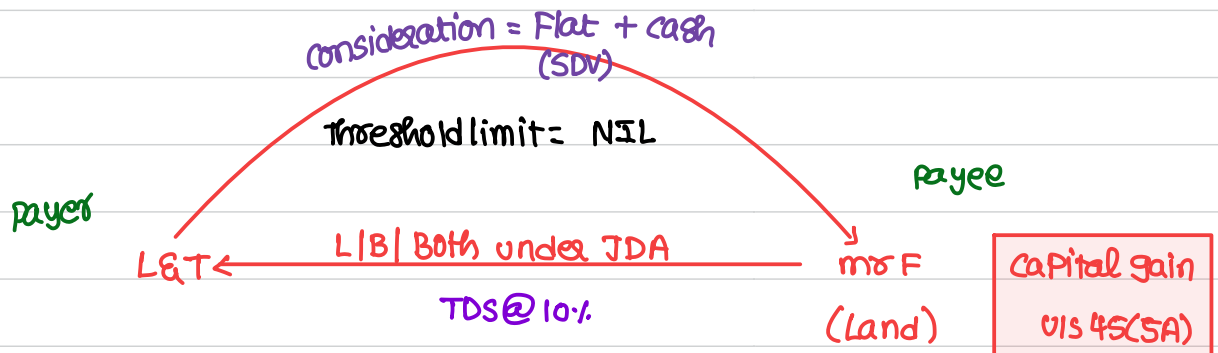
Time of TDS : 2

Exceptions : NIL

Note:

1. Consideration includes club membership Fee, car parking Fee, electricity / water Fee, maintenance Fee, Advance Fee etc.
2. From 1/10/24, if multiple transferor / transferees are involved, consideration is aggregated across All transferors / transferees.

19. Sec 194.1C: TDS on Payment under specified Agreement / JDA vis 45(5A)



Time of TDS : 2

Exceptions : NIL

20. Sec 194J: TDS on Professional services etc.,

Threshold limit

- a. Fees for professional services - ₹ 50,000
- b. Fees for Technical services - ₹ 50,000
- c. Royalty - ₹ 50,000
- d. Non compete Fee - ₹ 50,000
- e. Directors Remuneration - **NIL**



- Any person other than Ind/HUF
  - Ind/HUF
    - ✓ Business - TIO > 10%
    - ✓ Profession - UR > SDL
- } last year.

Nature of Payment

Rate of TDS

- |  |       |
|--|-------|
| a. Fees for professional services                                | @ 10% |
| b. Fees for Technical services (not being professional services) | @ 2%  |
| c. Royalty   | @ 2%  |
| → w.r.t cinematographic films                                    | @ 2%  |
| → w.r.t other  | @ 10% |
| d. Non compete Fee   | @ 10% |
| e. Director's Remuneration                                       | @ 10% |

\* In case of payee, engaged only in the business of operating call centre, Then TDS rate @ 2%.

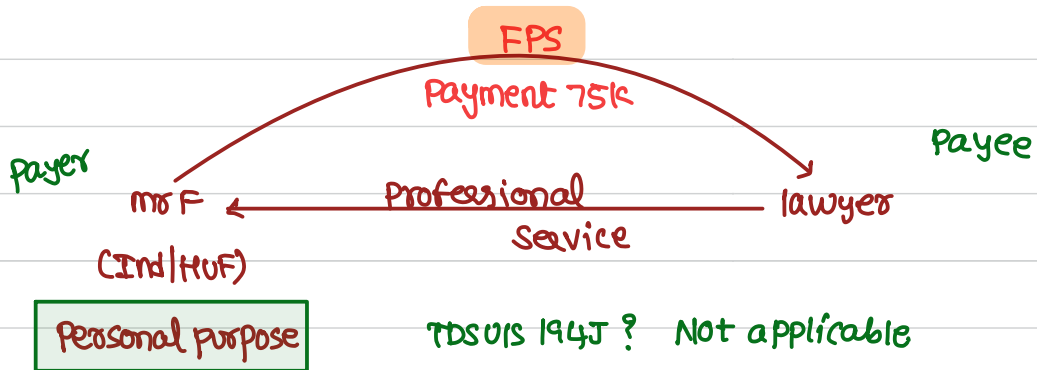
Time of TDS: 2.

Note:

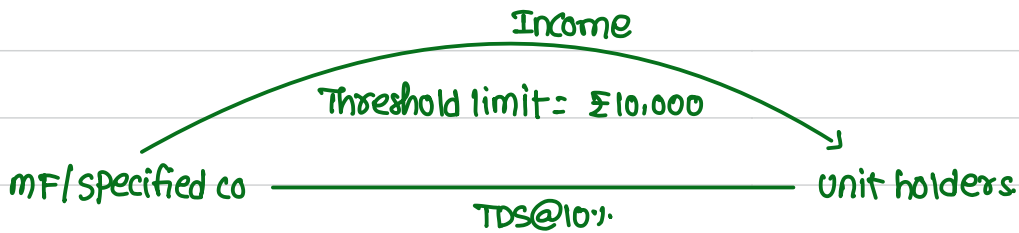
1. Ind/HUF, if last year Tlo > 1cr (or) CIR > 50L are required to deduct TDS only from **FPS (or) FTS**.

No need to deduct TDS on Royalty (or) NCF, even if last year Tlo/CIR exceeded the limits.

2.



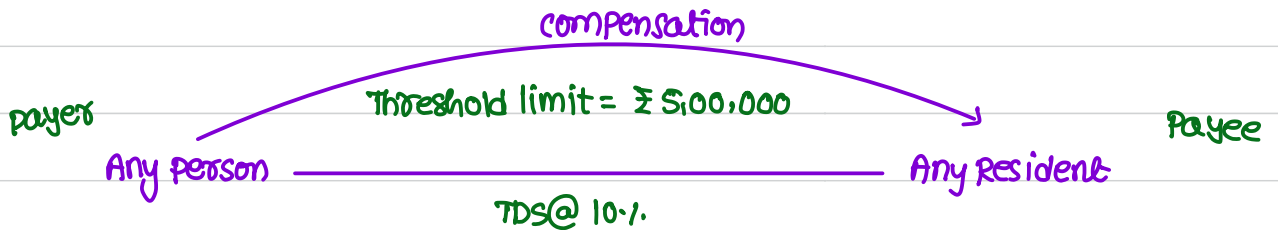
21. Sec 194K: TDS on Income wrt to units of MF / specified co



Time of TDS: 2

Exceptions: NIL

22. Sec 194LA: TDS on compensation received under compulsory acquisition

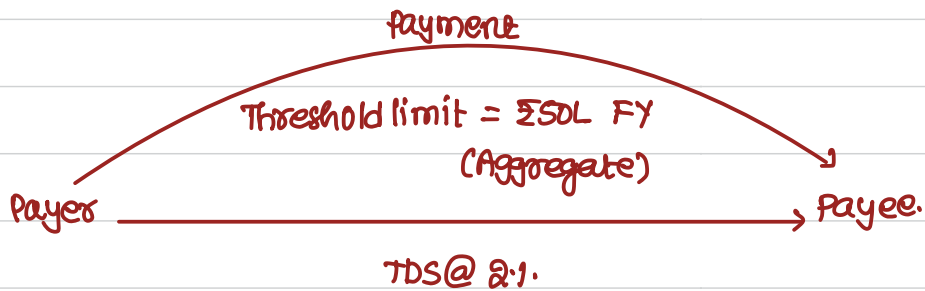


Time of TDS: 1

Exceptions: Compulsory acquisition related compensation received w/o Agricultural Land (Rural/Urban) - NOTDS VIS 194LA.

83. sec 194M: Payments made by Ind/HUF for contract work/ commission (or) Brokerage / Fees for professional services, who are not covered vis 194C/H/J.

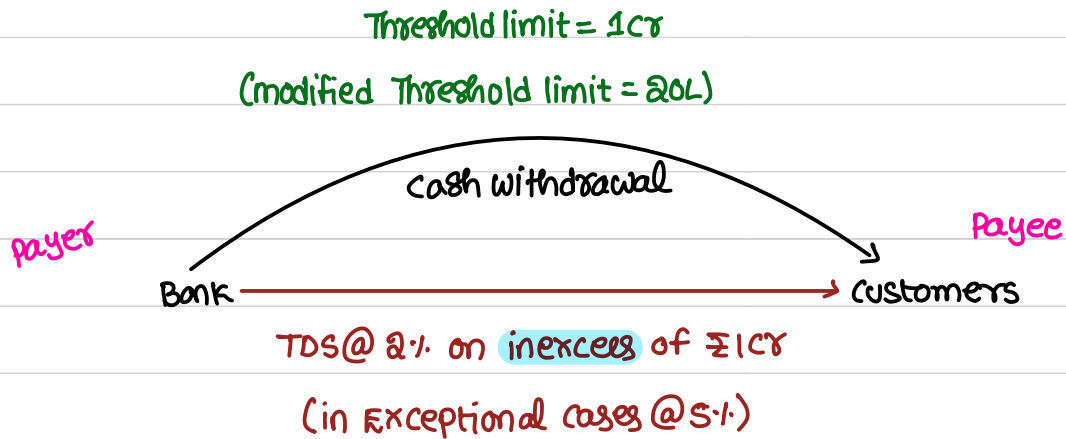
		<u>Payer vis 194M</u>	
✓ sec 194C	} Payer → Ind/HUF	Ind/HUF not covered vis	
✓ sec 194H			194C
✓ sec 194J			194H
	Business - T/O > 1cr	} last year	
	Profession - G/R > SDL		194J



Time of TDS : 2

Exceptions : NIL

## 24. SEC 194N: TDS on cash withdrawals



Time of TDS : 1

Note: If payee has not filed ROI for All 3AY Relevant to PY. (+) Time limit for filing ROI vis 134C1) has expired.



Cash withdrawn is more than ₹20L to ₹1cr → 2%

Cash withdrawn is more than ₹1cr → 5%

\*) If assessee is cooperative society (Recipient), then limit will be ₹3cr  
(Replace ₹1cr with ₹3cr)

\*) NO TDS VIS 194N

1. If payment made to Govt
2. If payment made to Bank, Cooperative bank, Post offices
3. If payment made to ATM operator.
4. If payment made to Any other person Notified by Cx.

Example

1. SBI  $\xrightarrow[120 \text{ Lakhs}]{\text{Cash withdrawal}}$  Mr A (last 3AY - ROI filed)

TDS U/S 194N = Threshold limit will be ₹1cr  
 = 20L x 2% = 40,000

2. SBI  $\xrightarrow[120 \text{ Lakhs}]{\text{Cash withdrawal}}$  Mr B

(last 3AY - ROI not filed)  
 +  
 Time limit also expired

TDS U/S 194N = Threshold limit will be ₹20L  
 = (80L x 2%) + (20L x 5%)  
 = 2,60,000

25. sec 1940: Tds on Payment made by Ecommerce operator for sale of goods / services

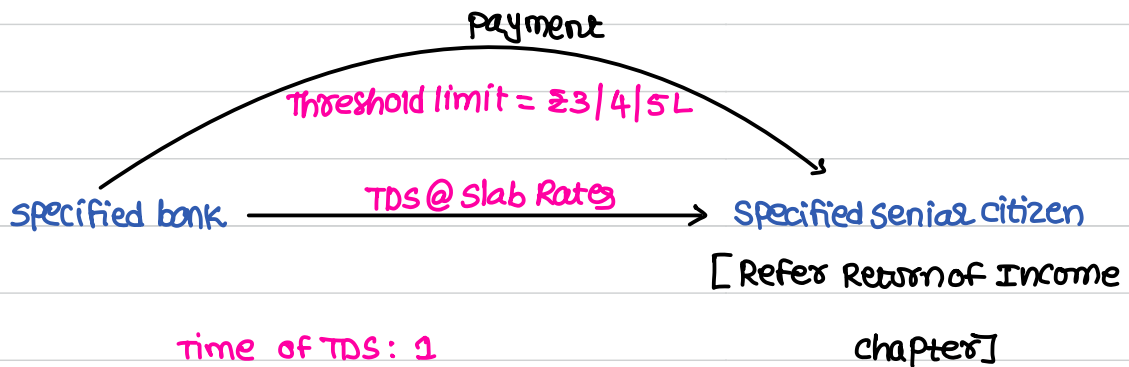
Threshold limit =  
 payee → Ind/HUF - ₹5,00,000 (PAN-submitted)  
 payee → others - NIL



Time of TDS : 2

Exceptions : NIL

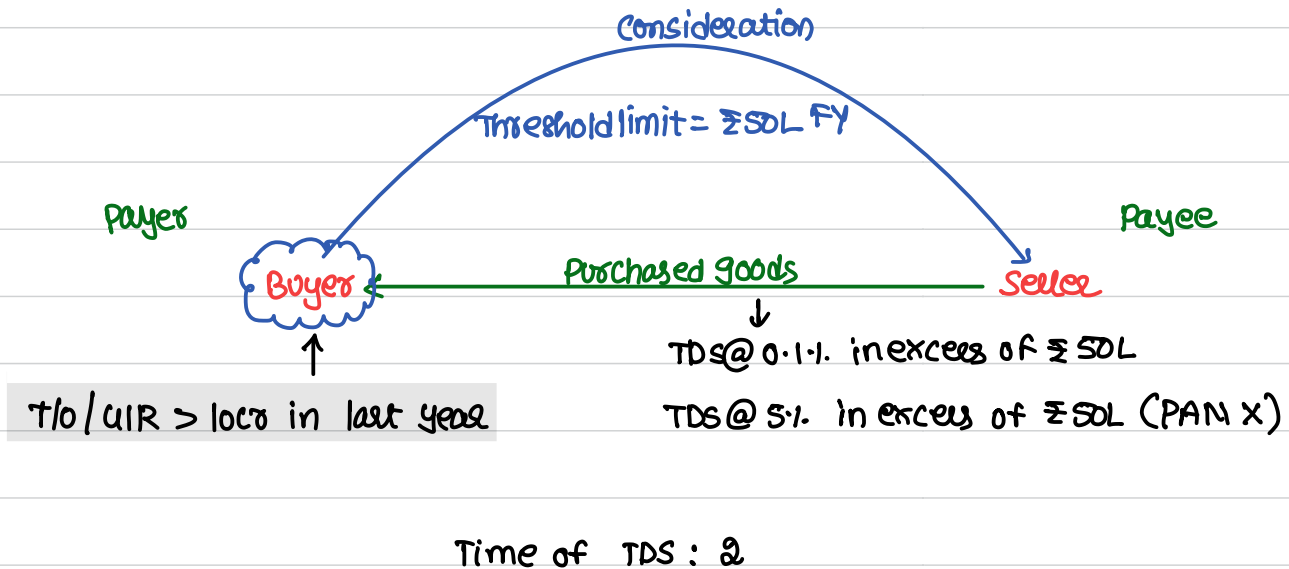
26. sec 194P: TDS on Total Income of specified senior citizen



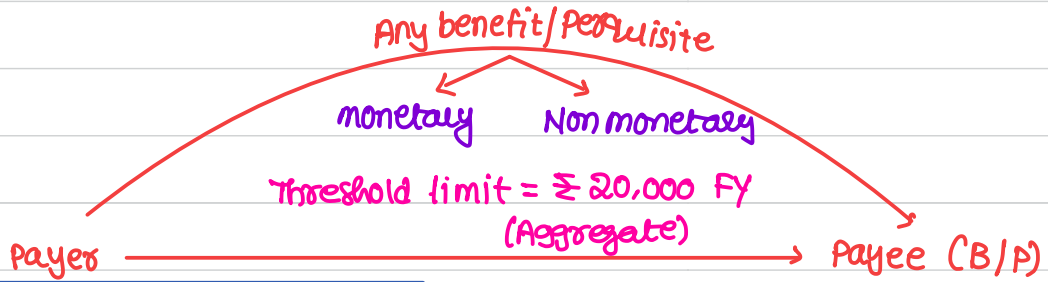
Note:

1. ROI u/s 139C is not required if TDS was deducted u/s 194P.
2. While calculating TDS, specified bank required to allow chapter VI A deduction, Rebate 87A.

27. sec 194Q: TDS on purchase of goods



28. Sec 194R: TDS w/o Any benefit / Perquisite arises from B/P



TDS @ 10%

- Any person other than Ind/HUF
  - Ind/HUF
  - Business - Tlo > 1Cr
  - Profession - UR > 50L
- } last year

Note:



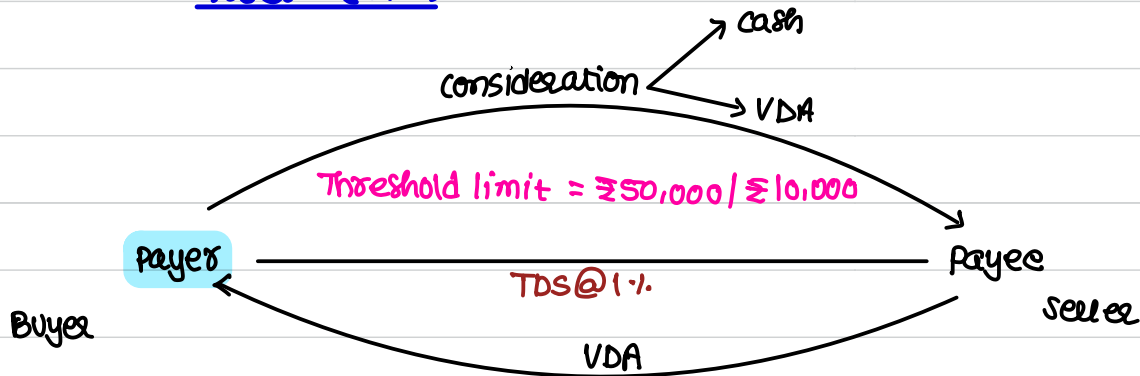
$$\begin{aligned} \text{TDS} &= 30,000 \times 10\% \\ &= 3000 \end{aligned}$$

Value ₹9,700

If TDS portion is not sufficient to meet out TDS liability, Payer has to pay from his pocket ;.e 2700 (3000-300).

29. sec 194S: TDS wrt consideration for transfer of virtual digital

### Assets (VDA)



#### 1. Ind/HUF

↳ Business - TIO  $\leq$  100

↳ Profession - CIR  $\leq$  50L

↳ not having BIP

} ₹50,000

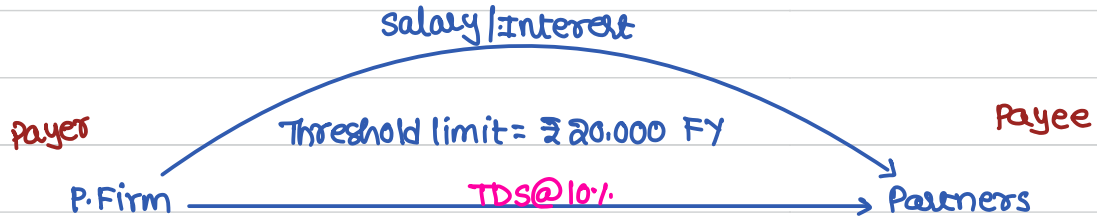
#### 2. Any other person

} ₹10,000

#### Note:

1. Tax Rate on VDA u/s 115BBH @ 30%.
2. While computing Income from transfer of VDA, No deduction will be allowed and No setoff of any loss is allowed to Asseees from such income.
3. Setoff (or) CIF of losses from transfer of VDA is not allowed.
4. Virtual Digital Assets need not be a capital Assets.

30. Sec 194T: TDS on salary, Remuneration, commission, Bonus (or) Interest paid by P.Firm to partner.



Time of TDS: 2

TDS at higher Rates

Sec 206AA

Failure to furnish PAN



a) TDS Rate:

higher of

1. 2 times of Rate in Act
2. 2 times of Rate in Finance Act
3. 20% [U/s 194A-5.1]

Sec 206AB

Specified Persons



a) TDS Rate

higher of

1. 2 times of Rate in Act
2. 2 times of Rate in F.Act
3. 5%.

b) Not applicable for sec 192, 192A, 194B, 194BA, 194BB, 194IA, 194IB, 194M, 194N.

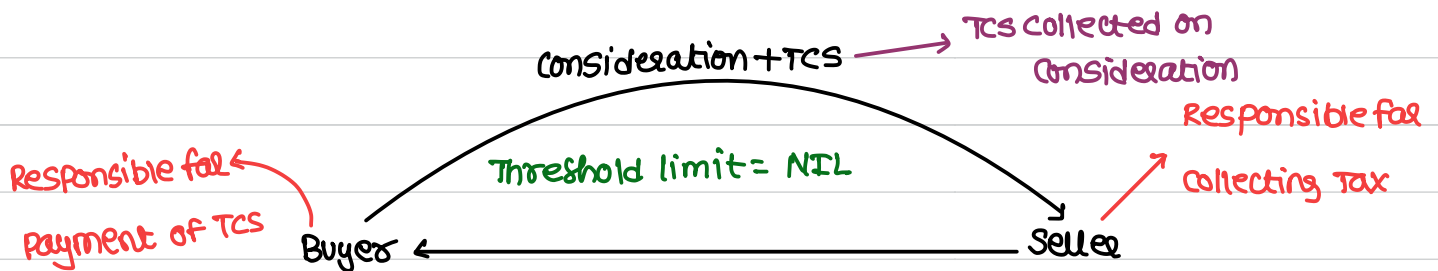
c) specified person

a person who has not filed Return for preceding FY and time limit also expired.  $\boxplus$  TDS/TCS  $\geq$  50K PY.

Removed from applicability  
[Finance Act, 2025]

## TCS u/s 206C

### 1. SEC 206C (1): TCS on sale of certain goods



- |  |      |
|--|------|
| 1. Alcoholic liquor for human consumption  | - 1% |
| 2. Tendu leaves                            | - 5% |
| 3. Timber (forest produce)                 | - 2% |
| 4. Timber (other than forest produce)      | - 2% |
| 5. Any other forest produce other than 2,3 | - 2% |
| 6. Scrap                                   | - 1% |
| 7. mineral being coal / Iron ore           | - 1% |

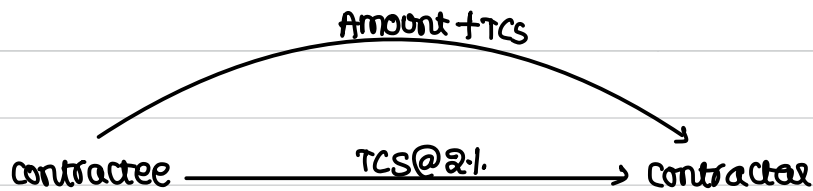
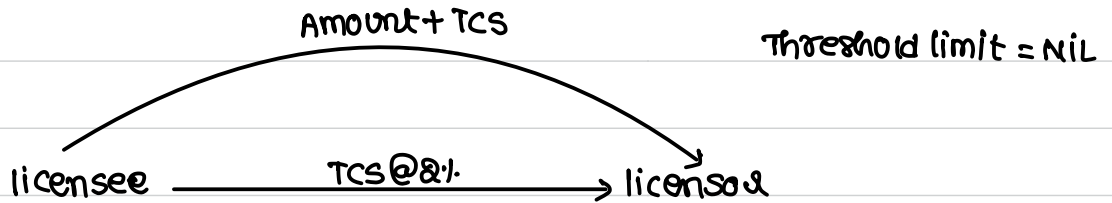
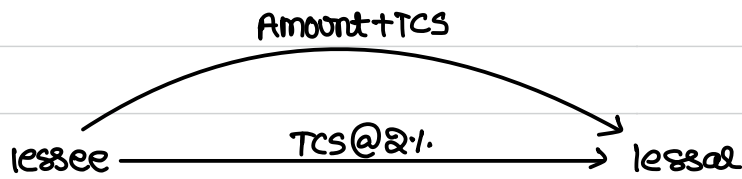
#### Time of TCS

a. at the time of Receipt  
(or)

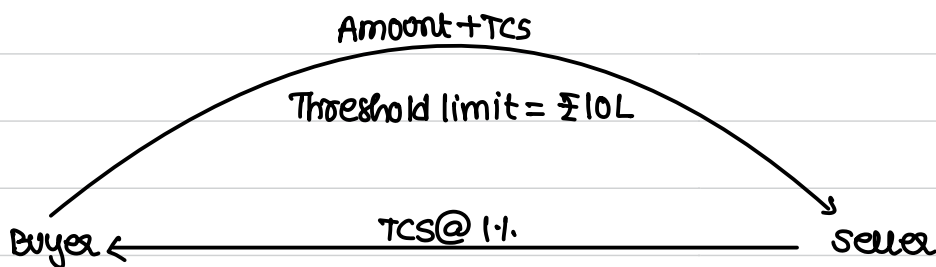
b. at the time of debit entry in the of Books of Buyer

} earlier.

## 2. Sec 806C(1C): TCS on lease / license of Parking lot / toll Plaza etc



## 3. Sec 806C(1F): TCS on sale of motor vehicles (or) other Notified Goods



### Notified Goods

1. Wrist watch
2. Art piece - Antique, painting, sculpture
3. Coins, stamps - collectibles
4. yacht, rowing boat, canoe, helicopter
5. Sunglasses
6. bag - hand bag, purse
7. Shoes
8. Sports wear & equipment (EX: golf kit etc)
9. Home theatre system
10. Any horse for Races / Polo Games.

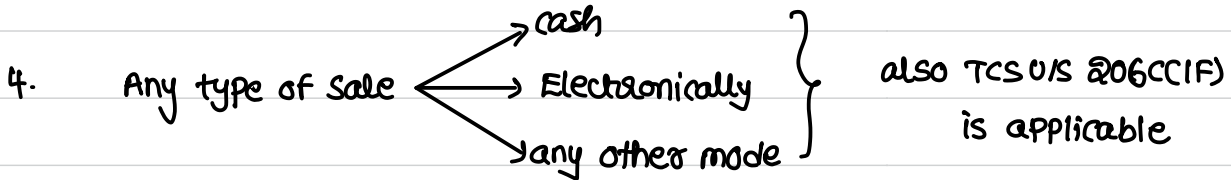
Time of TCS : at the time of Receipts.

Note:



2. Sec 806CC(1F) applied, whether vehicles is luxury car or not.

3. Each vehicle sale price exceeds ₹10L

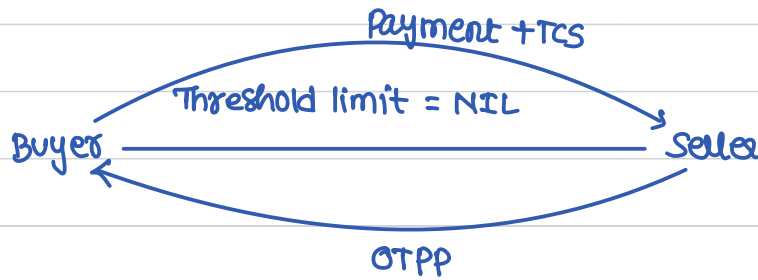


5. If buyer is govt, then no need to collect TCS.

4. Sec 806C(14) : TCS on overseas Remittance / sale of overseas program tour Package

<u>Particulars</u>	<u>Rate of TCS</u>
a. Remittance out of Educational loan fee Educational purpose	NIL
b. Remittance for Educational purpose (other than "a") (or) medical treatment	Threshold limit = 10L [5% of Aggregate Amount in excess of 10L]
c. Remittance for any purpose other than above	Threshold limit = 10L [20% of Aggregate Amount in excess of 10L]

Sale of overseas tour programme package

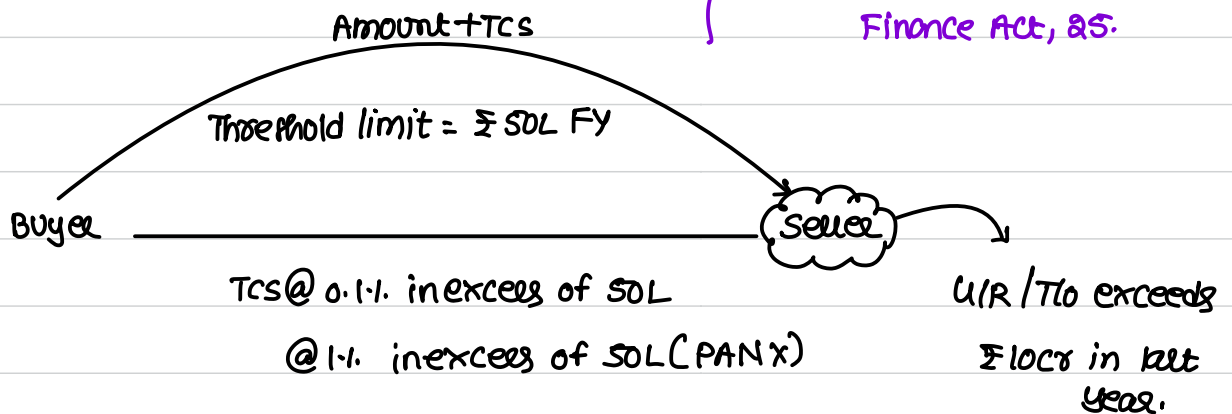


TCS Rate @5% upto 10L &  
@80% above 10L

Time of TCS: same as sec 206C(1).

5. sec 206C(1H) : Tcs on sale of goods

Removed from applicability  
Finance Act, 25.



Time of TCS: At the time of Receipt

TDS - sec 194A ✓

TCS - sec 206C(1H) ✓

TDS - sec 194A ✓

TCS - sec 206C(1)(1C)/(1F)/(1U) ✓

TDS - sec 194A ✓

TDS - other provision ✓

APPLY  
Sec 194A  
TCS  
Other TDS provisions

TCS at higher Rates

Sec 206 CC  
Failure to furnish PAN  
↓  
a) TCS Rate  
higher of  
1. 2 times of Rate in Act  
2. 5% [U/S 206C(1H) - 1/1]

Removed from applicability  
Finance Act, 2005.

Sec 206 CC A  
(Specified person)  
a) TCS Rate  
higher of  
1. 2 times of Rate in Act  
2. 5%  
b) specified person  
Same as Sec 206 AB

Due date for payment of TDS & TCS

	<u>TDS</u>	<u>TCS</u>
April - Feb	7 <sup>th</sup> of Next month	7 <sup>th</sup> of Next month
March	30 <sup>th</sup> April of Next FY	7 <sup>th</sup> of Next month

Due date for TDS / TCS Returns (or) statements

		<u>TDS Return</u>	<u>TCS Return</u>
Q1	30 <sup>th</sup> June	31 <sup>st</sup> July	15 <sup>th</sup> July
Q2	30 <sup>th</sup> Sep	31 <sup>st</sup> Oct	15 <sup>th</sup> Oct
Q3	31 <sup>st</sup> Dec	31 <sup>st</sup> Jan	15 <sup>th</sup> Jan
Q4	31 <sup>st</sup> March	31 <sup>st</sup> May	15 <sup>th</sup> May

If assessee not filed TDS/TCS Returns within prescribed time

Fees u/s 234E



₹200/day

[Maximum Amount of TDS/TCS]

Penalty u/s 272A(2)

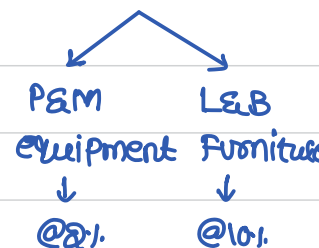


₹500/day

## Summary

### TDS provisions

Section No	Nature of payment	Threshold limit	Rate of TDS
1. sec 192	Salary	BEL	Slab Rates
2. sec 192A	premature withdrawal from RPF	₹50,000	@ 10%
3. sec 193	Interest on securities	₹10,000	@ 10%
4. sec 194	Dividend	₹10,000 (Ind)	@ 10%
5. <b>sec 194A</b>	Interest other than Int on securities	Bank } Cop. Bank } → 50k Post off } → 1L (senior citizen)	@ 10%
		others - ₹10,000	
6. sec 194B	winnings other than horse Races	₹10,000 (single transaction)	@ 30%
7. sec 194BB	winnings from horse Race	₹10,000 (single transaction)	@ 30%
8. sec 194BA	winnings from online games	NIL	@ 30% on Net winnings
9. <b>sec 194C</b>	work contract	30,000 ↓ single payment	₹1,00,000 ↓ multiple payment
			Payee ↙ ↘ Ind/HUF others ↓ ↓ @ 1% @ 2%
10. sec 194D	Insurance commission	₹20,000	Payee ↙ ↘ Domestic others ↓ ↓ @ 10% @ 2%

11. SEC 194DA	Any sum under LIP	₹1,00,000	@2%.
12. SEC 194E	Payment to NR Spent person NR Entertainer NR Spent Association	NIL	@20% + SC + H&EC
13. SEC 194EE	Payment of deposit made under NSS	₹2500	@10%.
14. SEC 194G	Commission / Remuneration on sale of lottery tickets	₹20,000	@2%.
15. SEC 194H	Commission / brokerage	₹20,000	@2%.
16. SEC 194I	Rent	₹50,000 Pm/ Part of month	
17. SEC 194IB	Rent	₹50,000 Pm/ Part of month	@2%.
18. SEC 194IA	sale consideration wrt immovable property	₹50L	@1%.
19. SEC 194IC	Payment under specified Agreement / JDA	NIL	@10%.

20. Sec 194J	professional Fee etc	₹50,000	10%   2%
		NIL - Directors	
		Remuneration	
21. Sec 194K	Income w.r.t MF	₹10,000	@10%
22. Sec 194LA	Compensation Received w.r.t Compulsory acquisition	₹5,00,000	@10%
23. Sec 194M	Contract / commission (or) brokerage Fees for professional services	₹50L FY (Aggregate)	@2%
24. Sec 194N	Cash withdrawals	₹1cr / ₹20L	@2% / @5% in excess of Threshold limit
25. Sec 194O	Payment made ECommerce operator to ECommerce Participant	<div style="text-align: center;"> <p>Payee</p> <p>↙ ↘</p> <p>Ind/HUF + PAN    Other</p> <p>↓                    ↓</p> <p>₹5,00,000        NIL</p> </div>	@0.1% on Gross Amount
26. Sec 194P	Income of specified Senior Citizen	BEL	@Slab Rates
27. Sec 194Q	Purchase of Goods	₹50L FY	@0.1% in excess of 50L @5% in excess of 50L (PAN X)

- 28. Sec 194R Benefit / perquisite in B/P ₹20,000 FY @10%
- 29. sec 194S sale consideration w/o VDA ₹ 50,000 / ₹ 10,000 @1%
- 30. sec 194T Salary / Int paid by P.Firm to partner ₹20,000 @10%

Payer → special case

- a. Any person other than Ind/HUF
- b. Ind/HUF
  - ✓ Business - T/O > 1Cr } tax year.
  - ✓ profession - G/R > 50L }

Sec 194A	Sec 194I	
Sec 194C	Sec 194IA	Sec 194R
Sec 194H	Sec 194J	

TCS provisions

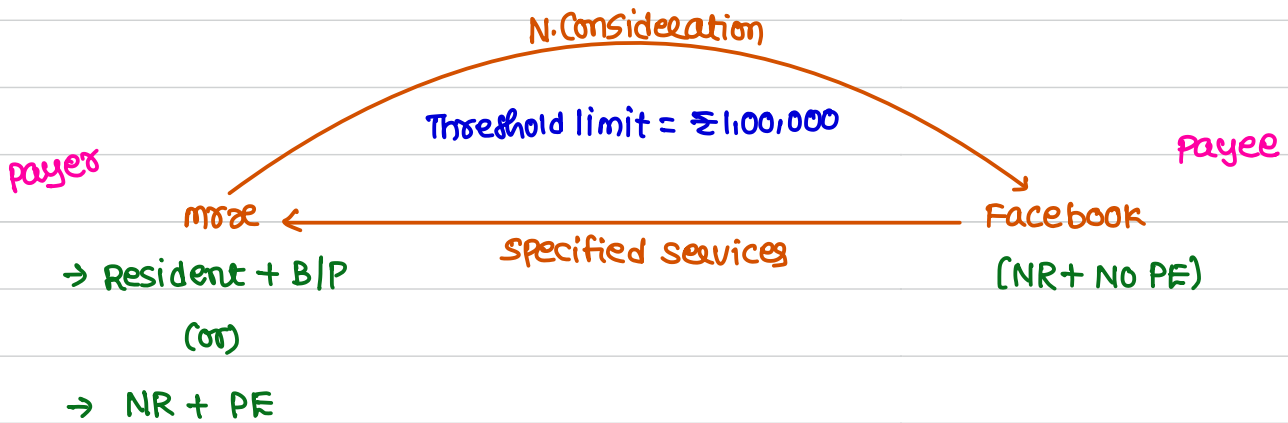
Section No	Transaction	Threshold limit	Rate
1. sec 206C(1)	sale of certain goods	NIL	@1% / @2% / @5%
2. sec 206C(1c)	lease / license / Toll plaza	NIL	@2%
3. sec 206C(1f)	sale of motor vehicles / Notified goods	₹10L	@1%
4. Sec 206C(1g)	overseas Remittance	10L	NIL / @5% / @20% in excess of 10L
	Sale of overseas tour program package	NIL	@5% upto 10L @20% above 10L

# Equalisation levy



Sec 165A → Finance Act, 24 } Removed concept of Equalisation levy.  
 Sec 165 → Finance Act, 25 } (No need to Read for June/Dec 26 Exams)

## a) Sec 165: Equalisation levy on Specified Services → online Advt



gross consideration	2,00,000
↳ E.levy @ 6%	<u>(12,000)</u> → Govt
	<u>1,88,000</u>

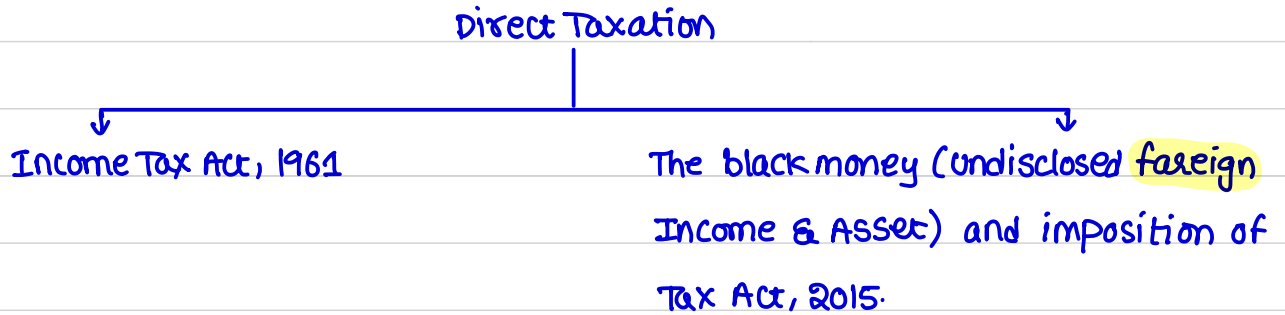
## b. Sec 165A: E.levy on Ecommerce operators

@ 2% on Consideration Received by Ecommerce operators.



if Tlo (or) UR ≥ 2cr during PY.

# Black Money Act, 2015



sec 68 to sec 69D



undisclosed sources of Income



Tax U/S 115BBE @ 78%.

(Income Tax @ 60% + surcharge @ 25% + HEFC @ 4%)

undisclosed foreign Income & Asset



Taxed under black money Act, 2015.

## 1. Background

Introduced in parliament on 20/3/15.



President assent on 26/5/15.



Notified in the month of July, 2015.

\* The Act Extends to whole of India.

2) sec 3:

provided that **tax @ 30%** shall be chargeable on Every Assessee (RoI) for Every Assessment year in respect of "Total undisclosed foreign Income and asset" of previous year.

Not Disclosed in RoI



Black money Act.

3) sec 4: scope of "Total undisclosed foreign Income & Asset"

Total undisclosed foreign Income & Asset of previous year shall be:

- Income** from a source located o/s India, which has not has been disclosed in RoI u/s 139(C) of Income Tax Act, 1961.
- Income** from a source located o/s India, in respect of which RoI required to furnished u/s 139(C) of Income Tax Act, 1961 but No RoI furnished u/s 139(C)
- The **value** of an undisclosed Asset located o/s India.

\* Any **Variation** made in the Income from a source located o/s India in Assessment / Reassessment of Total Income of Assessee in any previous year under Income tax Act, 1961



In accordance with provisions of sec 29 to 43C (PUBP) (or)  
sec 57 to 59 (IFOS) (or)  
sec 92C (Transfer Pricing).



shall **not included** in scope the total undisclosed foreign Income (sec 4)  
[In order to avoid double taxation]

\* sec 2(11): undisclosed Asset located o/s India

Asset - Including Financial Interest in any entity  
(located o/s India)



Held by Assessee in his Name (or) Assessee is a beneficial owner of that



No Explanation about source of Investment

(or)

Explanation given by Assessee in the opinion of AO  
unsatisfactory

\* Sec 2(12): undisclosed foreign Income & Asset

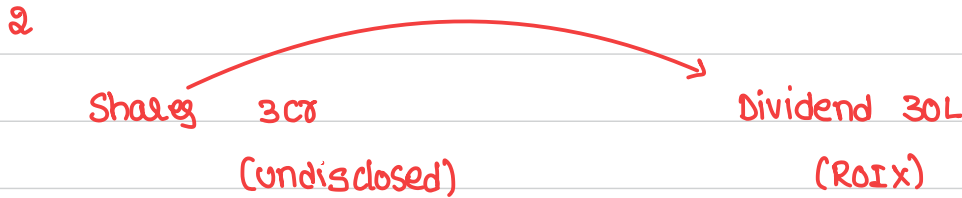
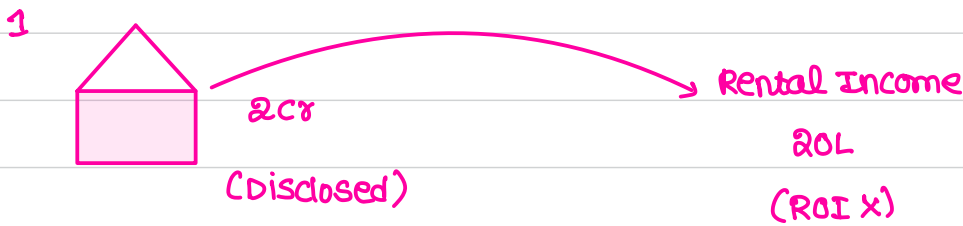
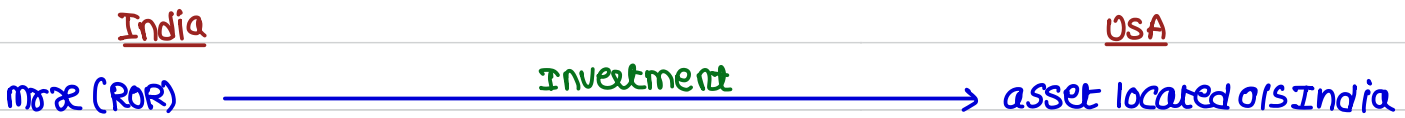
means  
Total Amount  
of

undisclosed Income of  
Assessee from source located  
o/s India  
50L

+

The value of  
"undisclosed Asset located  
o/s India"  
500

Example



undisclosed asset located  
o/s India → 300  
  
undisclosed foreign Income  
from asset located o/s India  
↓  
50L

Total undisclosed Foreign Income & Asset → 3.500

scope (sec 4) }  
Computation (sec 5) } Total undisclosed Foreign Income & Asset

#### 4) secs: computation of "Total undisclosed Foreign Income & Asset"

In computing the total undisclosed foreign Income & Asset of PY of an Assessee:



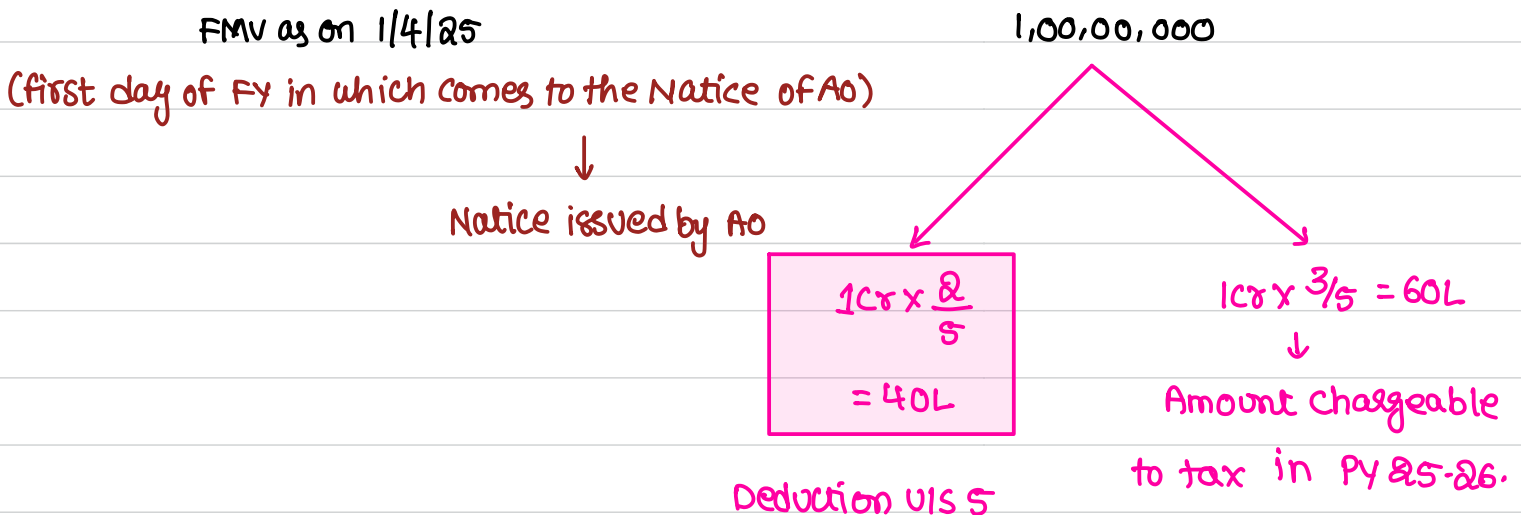
**No deduction** in respect of expenditure (or) allowance (or) setoff of loss shall be allowed to Assessee.

(whether or not it is allowable in accordance with provisions of Income Tax Act, 1961).

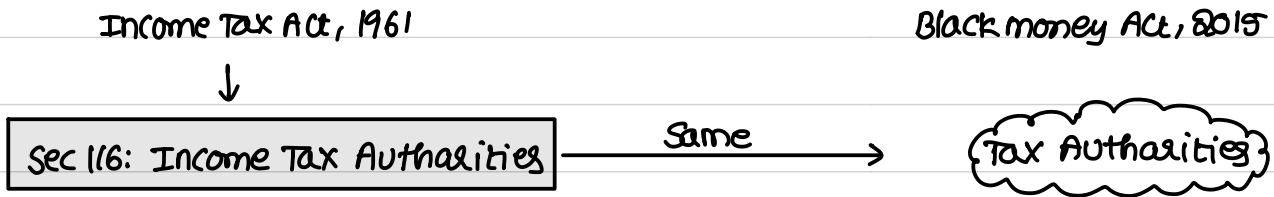
#### Special Rule - Immovable properties



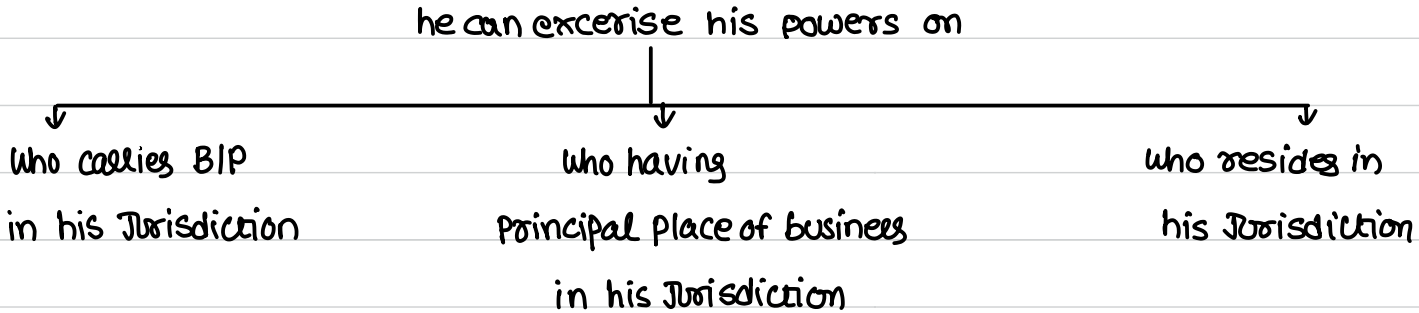
Ao identified the Asset in PY 25-26 on 23/12/25



5) sec 6: Tax Authorities



Jurisdiction of Tax Authorities



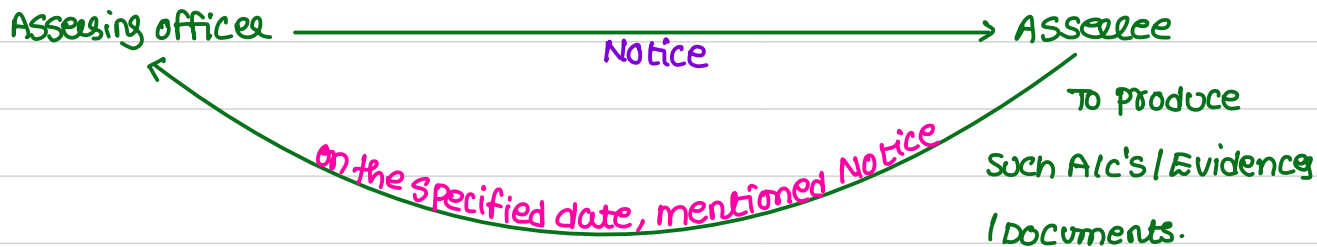
6) sec 7: change of Incumbent (Succession of Tax Authorities)

Refer Sec 189

(In Income Tax Authorities chapter)

7) sec 10: Assesment

a) on receipt of Information from Income Tax Authorities (or) any other Authority under any law



b) There is **No separate time limit** for issuance of above Notice.

c) **No separate Return** Required to file under this Act.

d) AO, from time to time serve the further Notices, requiring the production of Info / Evidence / A/c / Documents etc.

e)

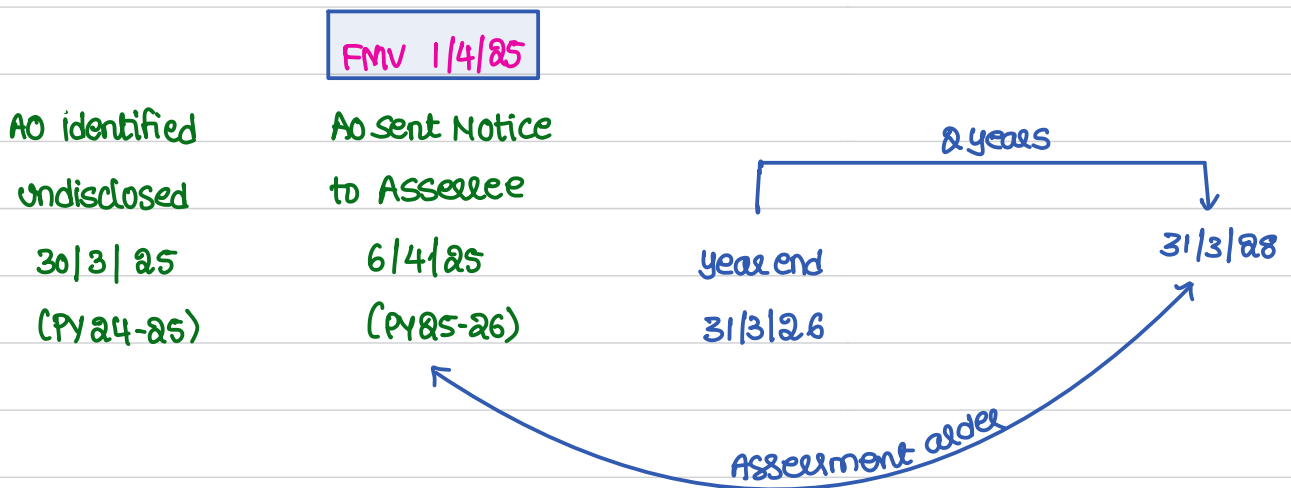


Compute "Total undisclosed foreign Income & Asset"  
&  
Compute "Tax payable"

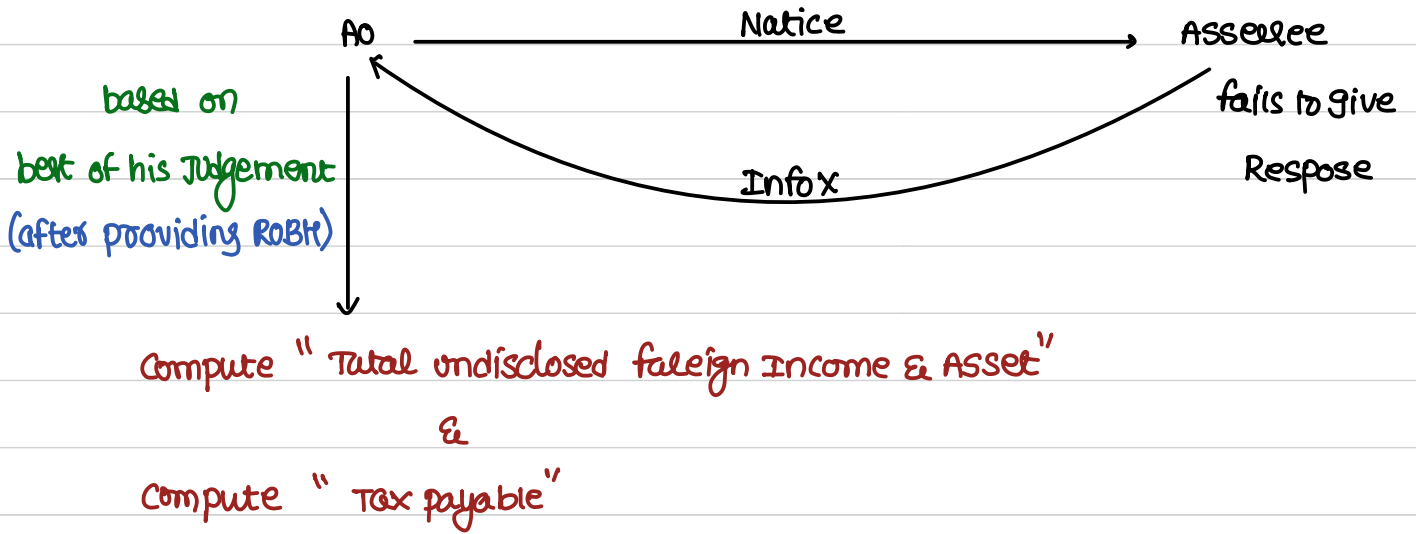
f)



Shall be made within 2 years from end of FY in which the Notice was issued by AO



Best Judgement Assessment



8) Sec 35: Liability of managers of company

Every person being a manager  $\longrightarrow$  Jointly & severally liable for  
 (at any time during PY) Payment of Taxes under this Act.

W-IT tax can not Recovered from the company

If the manager proves that non Recovery of taxes cannot attributable to any neglect, misfeasance (or) breach of duties on his part  $\longrightarrow$  then above provision shall not apply for that person.

9) Sec 36: Jointly & severally liability participants

Tax not Recovered from

- P-Firm
- AOP
- BoI

Jointly & severally liable

- Partners
  - Members
  - Members
- } Participants

(at any time during the PY)

If participant **proves** that non recovery of taxes cannot attributable to any neglect, misfeasance (or) breach of duties on his part → then above provision shall not apply for that person.

### 10) Penalties & Prosecution:

<u>Default</u>	<u>Penalty</u>	<u>Prosecution with fine</u>
a) fails to disclose foreign Income & Assets	300% of Tax U/S 10	3y to 10y (Note 1)
b) fails to furnish ROI before expiry of RAY. (Note 2)	₹10 Lakh	-
c) fails to disclose foreign Asset (or) income in the ROI. (Note 2)	₹10 Lakh	6m to 10y (Note 1)
d) Attempt to evade payment of tax & Interest and penalty	Tax in Arrears	3y to 10y
e) fails to		
1. answer to question put by Tax Authorities	₹50,000	-
2. sign any Statements	to ₹2,00,000	
3. attend (or) produce the books		
f) makes a statement (or) delivers an Account which is false	-	6m - 10y (Note 1)

g) Abates con induces another person to make & deliver an Account con Statement con declaration which is false

-

6m-10y  
(Note 1)

h) second & subsequent offences

-

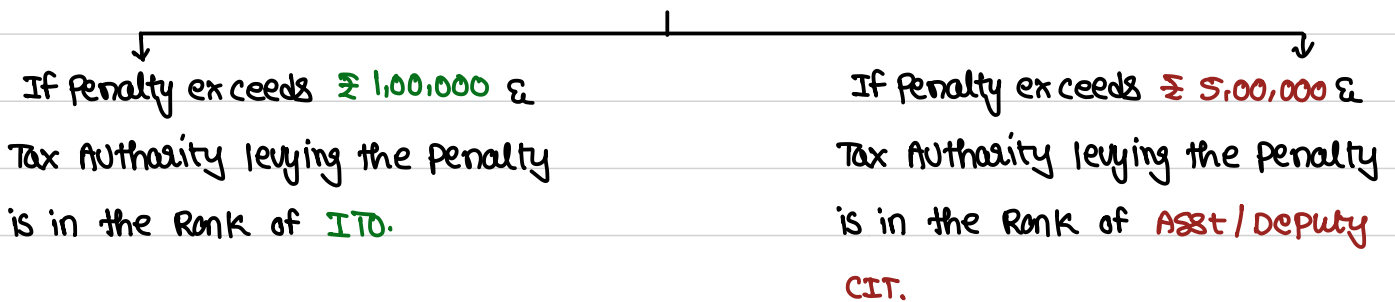
3y-10y  
(Note 3)

Note 1: With Fine.

Note 2: However, this section shall not apply in respect of Asset (other than immovable properties) where Aggregate value of such Assets does not exceed ₹ 20,00,000

Note 3: fine ₹ 5 lakh to ₹ 1 crore.

Note 4: An order of imposing a penalty shall be made with approval of JCIT (if)



ii) Rounding off:



10,15,565 → 10,15,600 (Rounded off)

4,05,667 → 4,05,670 (Rounded off)

General Rule 3

Rule 3C1

- ✓ J, B, Artistic walks
- ✓ Shares & Securities

M&A

listed shares / securities

unlisted shares / securities

FMV =

$$\frac{\begin{matrix} \text{COA} \\ \text{CO} \\ \text{MP} + \text{IP} \end{matrix}}{Q}$$

unlisted  
equity shares

others

$$\frac{\begin{matrix} \text{COA} \\ \text{open} \end{matrix}}{\uparrow}$$

FMV =

$$\frac{\begin{matrix} \text{COA} \\ \text{CO} \end{matrix}}{\text{Value as per NAV formula}} \uparrow$$

$$\text{FMV} = \frac{A + B - L}{PE} \times PV$$

company



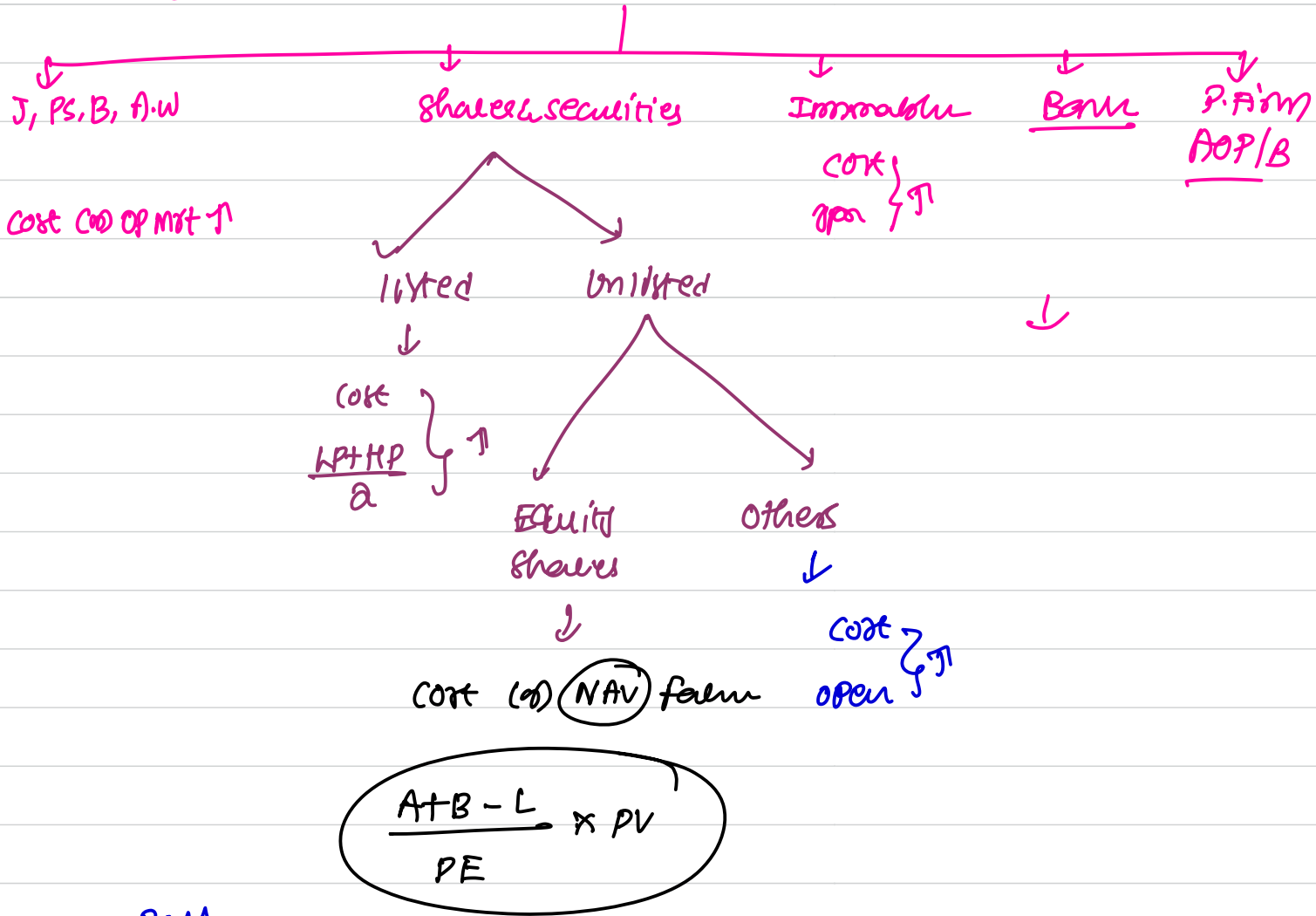
Other Assets → A (Book Value)  
B, J, PS, Articu → B (FMV)

(L) o/s liability

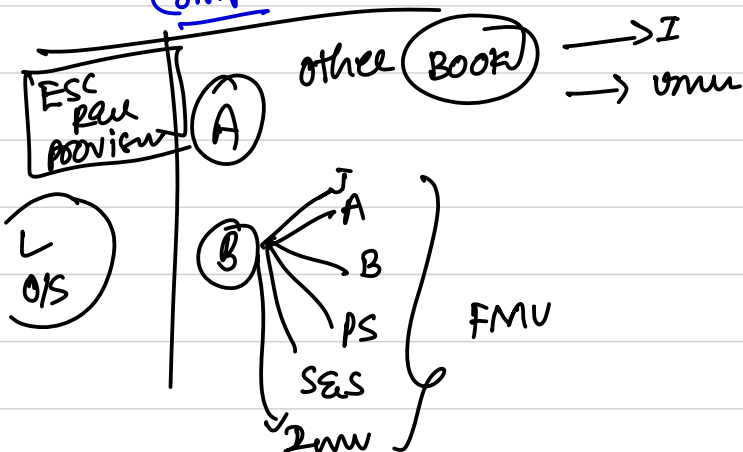
Sec 30(2) → value of undisclosed f. Asset

Rule 3: cost cost market ↑

Rule 30):



Company



3(2) →

Cost } ↑  
 sale }

3(3)

New — old / Bank

→

Cost } ↑  
 man }

old

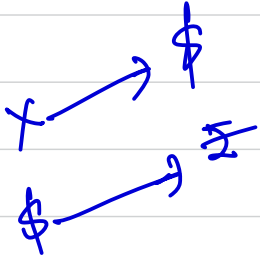
$S_1: old \quad 3(1) \quad 3(2)$

$S_2: S_1 - Inv \text{ New}$

New

as per valuation  
 3(1), (2)

3(4) / (S)



1/4 (PY)

# Tax Planning

Taxplanning, Tax Avoidance, Tax Evasion, Tax management

GAAR

## 1. Tax Planning

Refers to taking legitimate concessions & Exemptions provided in Income tax Act, 1961 in order to Reduce total Income & Reduce Tax liability.

EX: Investments in 80C, sec 54 series Exemptions etc.,

### MRA, RoR (old Regime)

Gross total Income	7,50,000
Less: Chapter VIIA deductions	
80C	(1,50,000)
80D	( 75,000)
80TTB	<u>( 50,000)</u>
Total Income	4,75,000
Tax liability	NIL
(after claiming Rebate U/S 87A)	

✓ legal  
✓ moral

## 2. Tax Avoidance:

Refers to taking of Advantage of loopholes, drafting mistakes in tax laws for Reducing Tax liability.

### In order to Prevent Tax Avoidance

SAAR

(Specific Anti Avoidance Rules)

GAAR

(General Anti Avoidance Rules)

✓ Immoral

Example

✓ Sec 43CA }  
 Sec 50C } 110% AC < SDV  
 ↓

Consideration = SDV

- ✓ clubbing provisions
- ✓ Transfer pricing

3. Tax Evasion:

- It involves suppression of facts, falsifying of Records, fraud (or) collusion
- punishment by way of penalty, prosecution + Fine etc.
- illegal (or) unfair.

Eg: Record of bogus / Fake Exp etc.

4. Tax management

	<u>PY</u>	<u>AY</u>
Assessee	✓ Advance Tax	✓ ROI U/S 13A(1)
(Tax - obligations)	✓ TDS / TCS - Deduction	✓ SAT etc
	✓ TDS / TCS - Deposit	
	✓ TDS / TCS - Returns etc	

Properly managed.



In future we can Avoid Interest, penalties, prosecution + Fines.

EX: Advance Tax installments, ROI filed with in time etc.,,

Tax planning

Tax Avoidance

Tax Evasion

Tax management

Benefit

arises in  
long run  
also

short run

Benefits do not  
arise but it  
cause penalty, fine  
etc

Penalty, Fees  
& Interest  
can be Avoided.

Treatment  
of Law

It uses benefits  
provided in Law

uses loopholes  
of the Law

overrides the law

implementation  
of law

Practice

Tax savings

Tax hedging

Tax concealment

Tax  
Administration

Need

Desirable

Avoidable

objectionable

Essential

Morality

Moral

immoral

illegal

Duty

5. Basic Approaches of Tax Planning:

↓  
Reducing Taxable Income



\*) Mostly used

\*) Higher Total Income → higher Tax liability

\*) Reduce The total Income by using deductions/  
concessions provided in Act.

↓  
Deferring payment of Taxes to the  
extent possible



\*) An under estimated dimension.

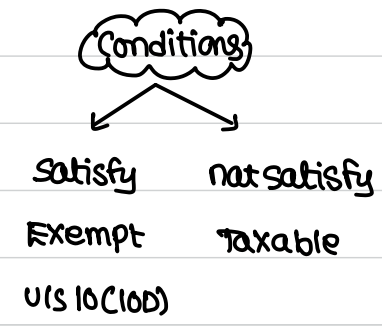
\*) Suitable for small businesses.

\*) In this approach, we are not  
reducing Tax liability but we are  
deferring Tax payments to the  
extent possible.

Example MPA LIP for 10 years

1	2	3	-	-	-	-	-	-	10y	10 <sup>th</sup> - Maturity value
1.5L	1.5L	1.5L	-	-	-	-	-	-	1.5L	Somassured value 15,00,000
										(+) Bonus / Int <u>5,00,000</u>
										20,00,000

Premium (Expenditure)  
↓  
UIS 80C - Deductions



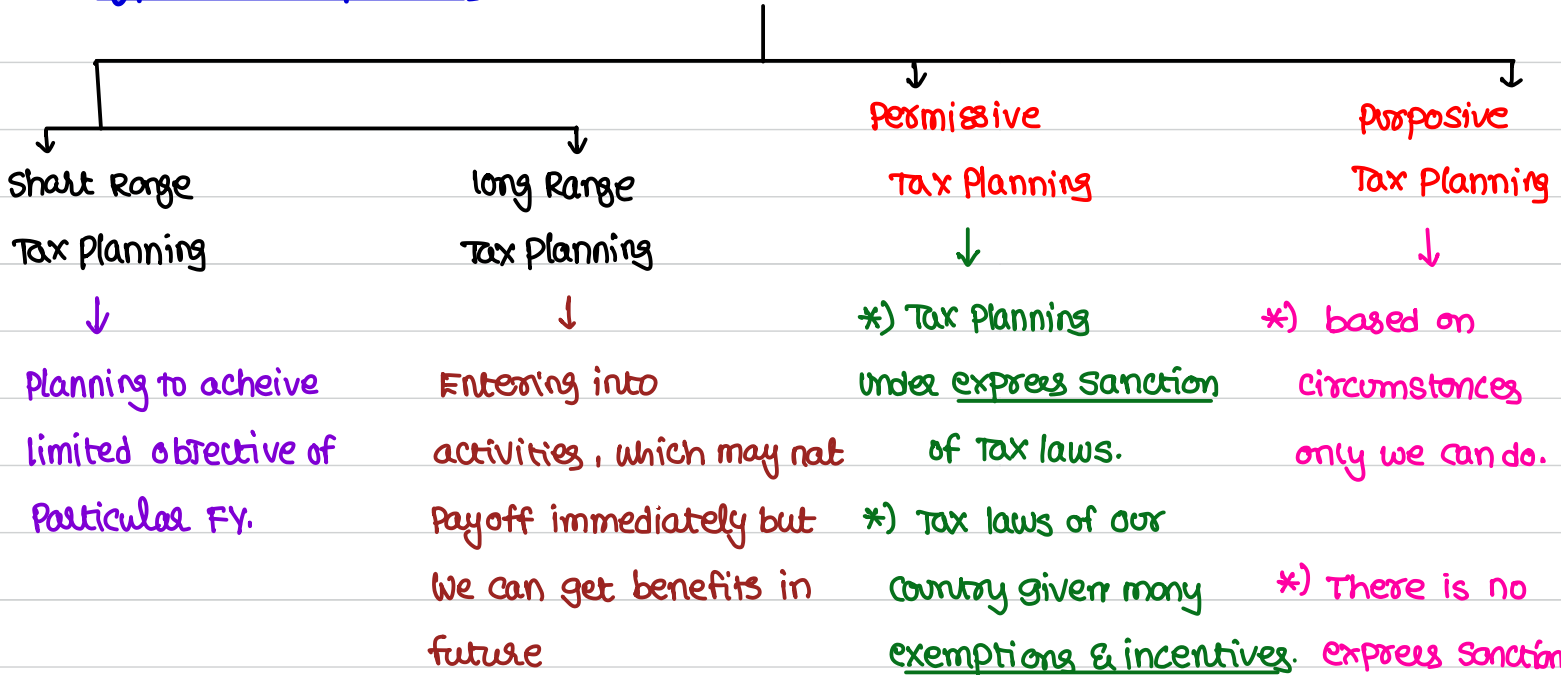
6. Basic objectives of Tax Planning:



7. Essentials of Tax Planning:

1. Upto date knowledge of tax laws along with circulars, Notifications and administrative instructions issued by CBDT.
2. Disclosure of full & True information
3. Avoid Sham/Fake transactions (or) make-believe transaction.
4. Planning should be flexible enough to adjust statutory changes / Enterprise goal.

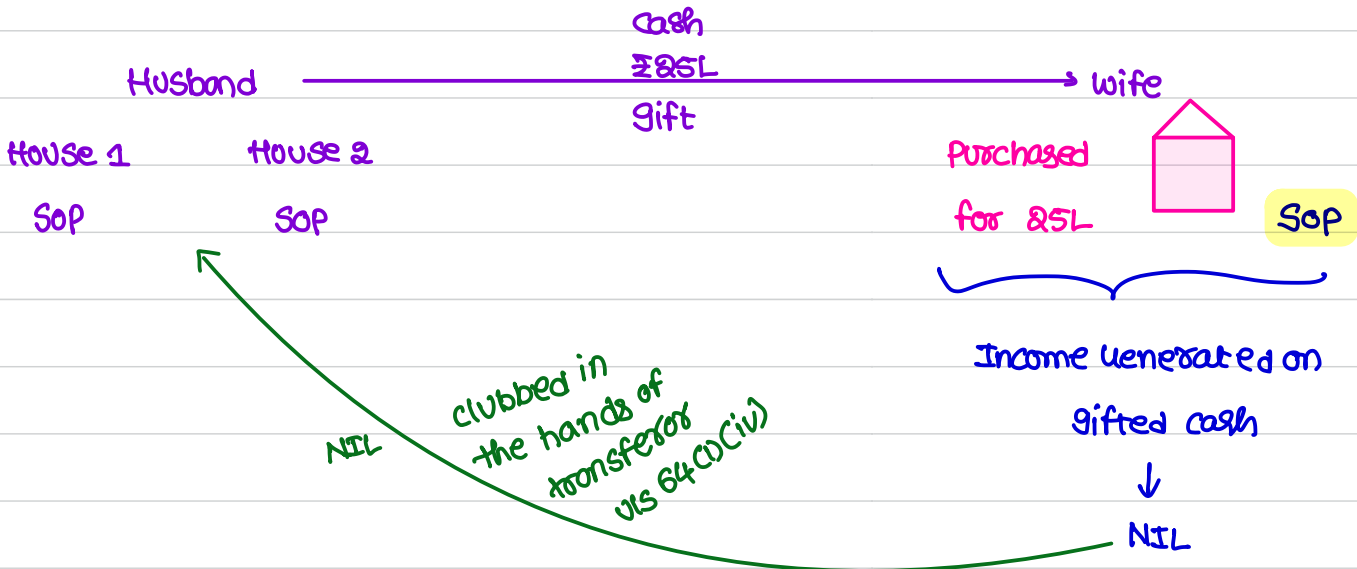
8. Types of Tax Planning:



EX: Investment in PPF etc in order to reduce total income of Assessee in Particular FY.

EX: Father Shares → minor  
 ↓  
 Dividend  
 Clubbed  
But after attaining majority  
 There is no clubbing of income in the hands.

Example - Purposeful Tax Planning



## 9. Tax planning cell:

various organisations have separate Tax planning department to plan their Activities / Transactions with a view to attracting the least tax impact.

Organisation of such cell can be justified on the following grounds:

- a) complexity & volume of work.
- b) separate documentation
- c) Data collection
- d) Integration
- e) Constant monitoring
- f) Developing tax effective Alternatives i.e buy (or) lease of P&M
- g) Take Advantages of various Allowances & deduction

## 10. Areas of Tax planning:

- a) Form of organisation / ownership pattern
- b) Locational Aspects
- c) Nature of business
- d) Tax planning in respect of "Corporate Restructuring"
- e) Tax planning in respect of FM.
- f) tax planning In respect of employee Remunerations.
- g) Tax planning in respect of specific managerial decisions.  
(i.e lease (or) buy - P&M)
- h) tax planning in respect of NR.

- |                 |
|-----------------|
| 1. Amalgamation |
| 2. Demerges     |
| 3. SOP x CO     |
| 4. P.Firm x CO  |
| 5. PVT CO x LLP |
| Unlisted PubCo  |

## 11. Tax heaven:

→ Any country / Territory modify its tax laws to attract foreign Investments can be called as "Tax heaven"

→ Tax heaven is a state / country / Territory, where income tax levied at low Rate (or) No tax at all levied.

→ many countries / Territories use Tax & non tax incentives to attract Foreign Investment

↓ Tax heavens.

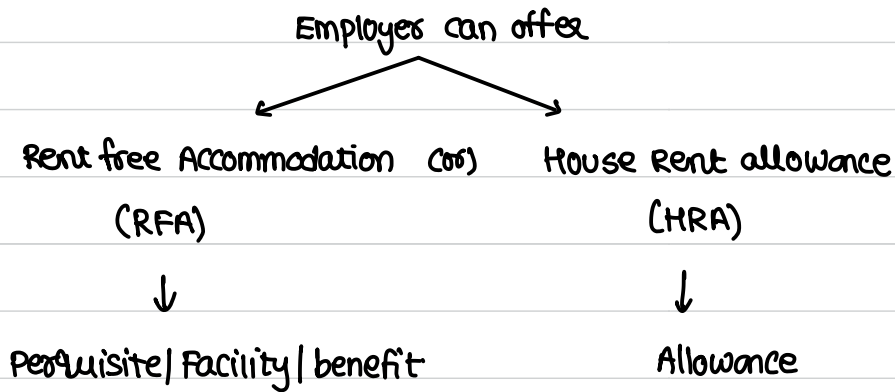
↓ Providing land etc.

Key Factors are used for determining whether a Jurisdiction is a tax heaven:

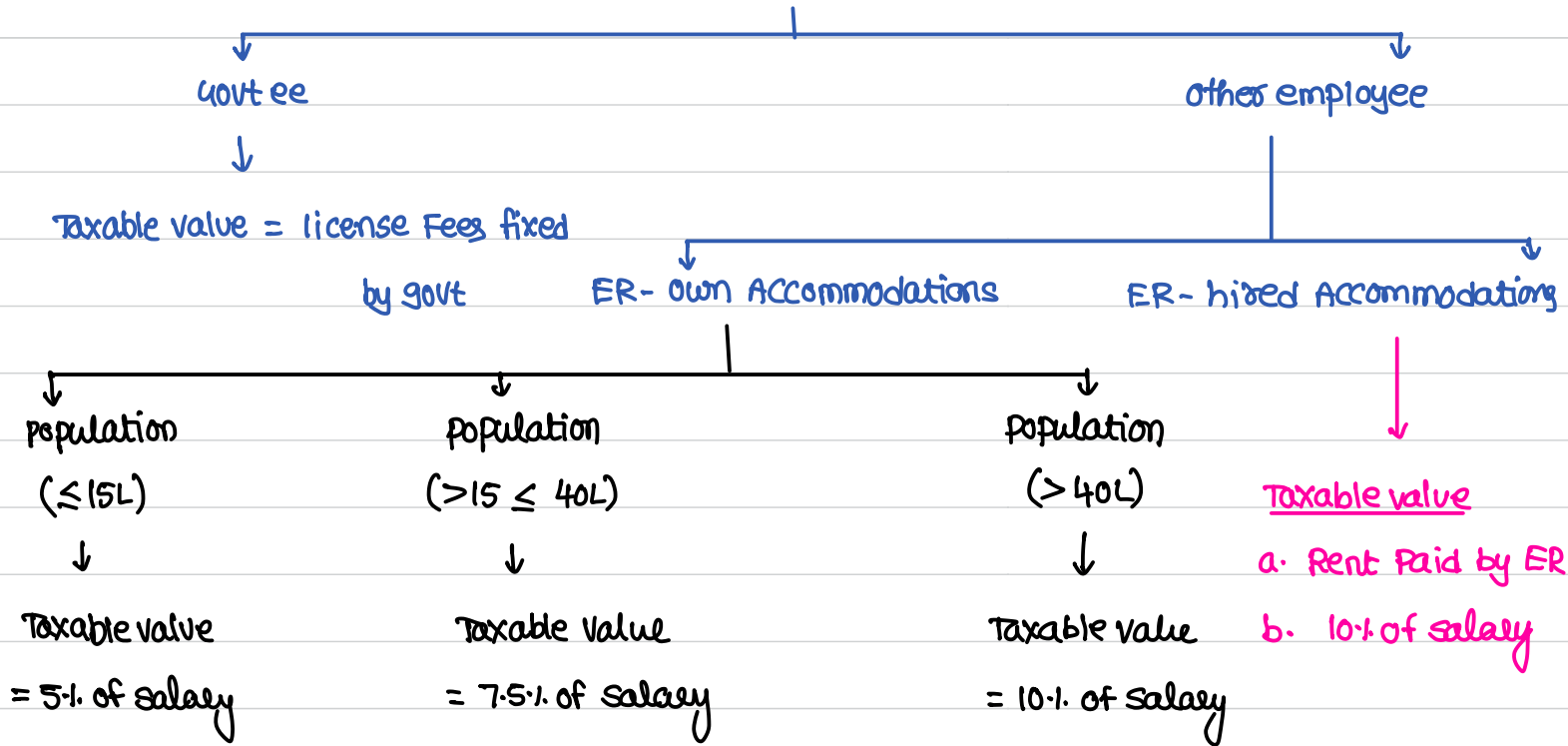
1. Imposes No (or) low / Nominal taxes
2. Lack of transparency.
3. Lack of effective Exchange of Info with foreign tax Authorities.
4. No requirement for a substantive local presence of entity.

## Income from salaries

1



### a) Taxable value of Rent free accommodation



$$\text{Salary} = \text{Basic salary} + \text{DA (FPRB)} + \text{Bonus} + \text{Fees} + \text{Commission} + \text{Taxable Allowances} + \text{Taxable monetary benefits.}$$

### Taxable value of furnished Accommodation

<u>Particulars</u>	<u>Amount</u>
Taxable value of unfurnished Accommodation	xxx
<u>add: Furniture value</u>	
a. <u>own furniture</u> : 10% Pa of ACTUAL cost	xxx
b. <u>hired furniture</u> : Rent Paid by ER	xxx
	<u>xxx</u>

Note: If any Amount Recovered by ER from EE, then that is deducted from Taxable value of RFA.

### b) taxable value of House Rent Allowance (HRA)

<u>Particulars</u>	<u>Amount</u>
Actual HRA Received	xxxx
<u>Less: least of the following is exempt u/s 10(13A)</u>	
[For only Assessee's opted old Regime]	
a. Rent paid - 10% of salary	
b. 50% / 40% of salary [50% - Mumbai, Kolkata, Delhi, Chennai]	
[40% - other cities]	(xxx)
c. Actual HRA Received	
Taxable HRA →	<u>xxx</u>

$$\text{Salary} = \text{Basic salary} + \text{DA (FPRB)} + \text{Commission (\% on T10)}$$

2

## Arrears of salary received - Relief vis 89C(1)

Example:

Mr. Hari, 68 years

Total salary (Computed) for PY 25-26 = ₹10,20,000

Arrears of salary received during PY 25-26 = ₹3,45,000

PY	Taxable salary	Arrears Now Received
16-17	7,10,000	1,03,000
17-18	8,25,000	1,17,000
18-19	9,50,000	1,25,000

Compute relief vis 89C(1) & Tax payable in AY 26-27. Assume Mr. Hari opted old Regime.

Tax Rates:

< 60y

60y/male

Ay	< 60y	60y/male	Notes
17-18	upto 2.5L	NIL	Education cess @2% Secondary & Higher Edu cess @1%
	2.5L-5L	10%	
	5L-10L	20%	
	above 10L	30%	

Ay	60y/male	Notes
18-19	upto 3L	NIL
	3L-5L	5%
	5L-10L	20%
	above 10L	30%

Ay	60y/male	Notes
19-20	upto 3L	NIL
	3L-5L	5%
	5L-10L	20%
	above 10L	30%

H&EC @4%

Solution:

computation of Tax payable by Mrs. Hasi for AY 26-27

Particulars	Tax liability	Tax liability
	including Arrears	Excluding Arrears
Current year salary	10,20,000	10,20,000
(+) Arrears of salary	<u>3,45,000</u>	-
Taxable salary	13,65,000	10,20,000
Income Tax	(2L X 5% + 5L X 20% + 3,65,000 X 30%)	(2L X 5% + 5L X 20% + 20K X 30%)
	2,19,500	1,16,000
add: H & EC @ 4%	<u>8780</u>	<u>4640</u>
	<u>2,28,280</u>	<u>1,20,640</u>

computation of Tax payable on arrears of salary, if chargeable to tax in respective AY's

AY 17-18		AY 18-19		AY 19-20	
Tax liability including Arrears	Tax liability Excluding Arrears	Tax liability including Arrears	Tax liability Excluding Arrears	Tax liability including Arrears	Tax liability Excluding Arrears
Tax on 8,13,000	Tax on 7,10,000	Tax on 9,42,000	Tax on 8,25,000	Tax on 10,75,000	Tax on 9,50,000
$\left[ \begin{array}{l} 2.5L \times 10\% + \\ 3.13L \times 20\% \\ + \\ 3\% \end{array} \right]$	$\left[ \begin{array}{l} 2.5L \times 10\% + \\ 2.10L \times 20\% \\ + \\ 3\% \end{array} \right]$	$\left[ \begin{array}{l} 2L \times 5\% + \\ 4.42L \times 20\% \\ + \\ 3\% \end{array} \right]$	$\left[ \begin{array}{l} 2L \times 5\% + \\ 3.25L \times 20\% \\ + \\ 3\% \end{array} \right]$	$\left[ \begin{array}{l} 2L \times 5\% + \\ 5L \times 20\% + \\ 75K \times 30\% \end{array} \right] + 4\%$	$\left[ \begin{array}{l} 2L \times 5\% \\ 4.5L \times 20\% \\ + \\ 4\% \end{array} \right]$

90,228

69,010

1,01,352

77,250

1,37,800

1,04,000

Computation of Relief u/s 89C1)

<u>particulars</u>	<u>Amount</u>	
1. <u>AY 26-27</u>		
Tax on income including Arrears	2,28,280	
Less: Tax on income excluding Arrears	(1,20,640)	1,07,640
2. <u>Tax Payable in respective years on Arrears</u>		
Tax on income including Arrears (90,228 + 1,01,352 + 1,37,800)	3,29,380	
Less: Tax on income excluding Arrears (69,010 + 77,250 + 1,04,000)	(2,50,260)	79,120
Relief u/s 89C1)		28,520

[Diff B/w Tax on Arrears in AY 26-27 & Tax on Arrears in respective years]

Tax Payable for AY 26-27 after Relief u/s 89C1)

<u>particulars</u>	<u>Amount</u>
Tax payable on total Income including Arrears	2,28,280
Less: Relief u/s 89C1)	(28,520)
Tax payable after Relief	1,99,760

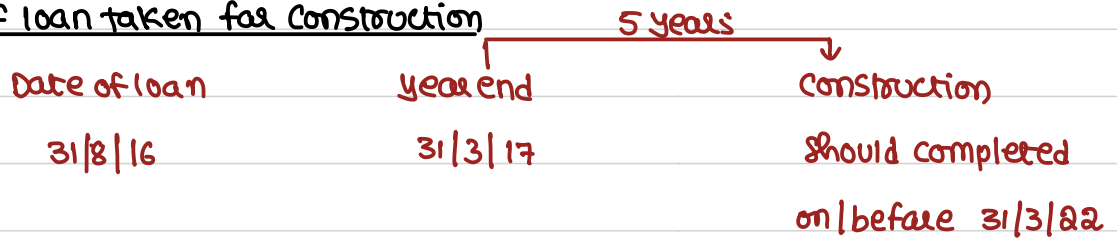
## Income from house property

### Format

<u>Particulars</u>	<u>SOP/VOP</u>	<u>LOP/DLOP</u>
GAV	-	xxx
(-) MTax paid (cash basis-owner)	-	xxx
NAV	0	xxx
(-) sec 24(a) - Standard deduction @ 30% on NAV	-	(xxx)
(-) sec 24(b) - Interest Borrowed capital	(2L/30k) xxx ↙                      ↘ Loss                      0	(unlimited) xxx ↙                      ↓                      ↘ Income                      0                      Loss

### Conditions:

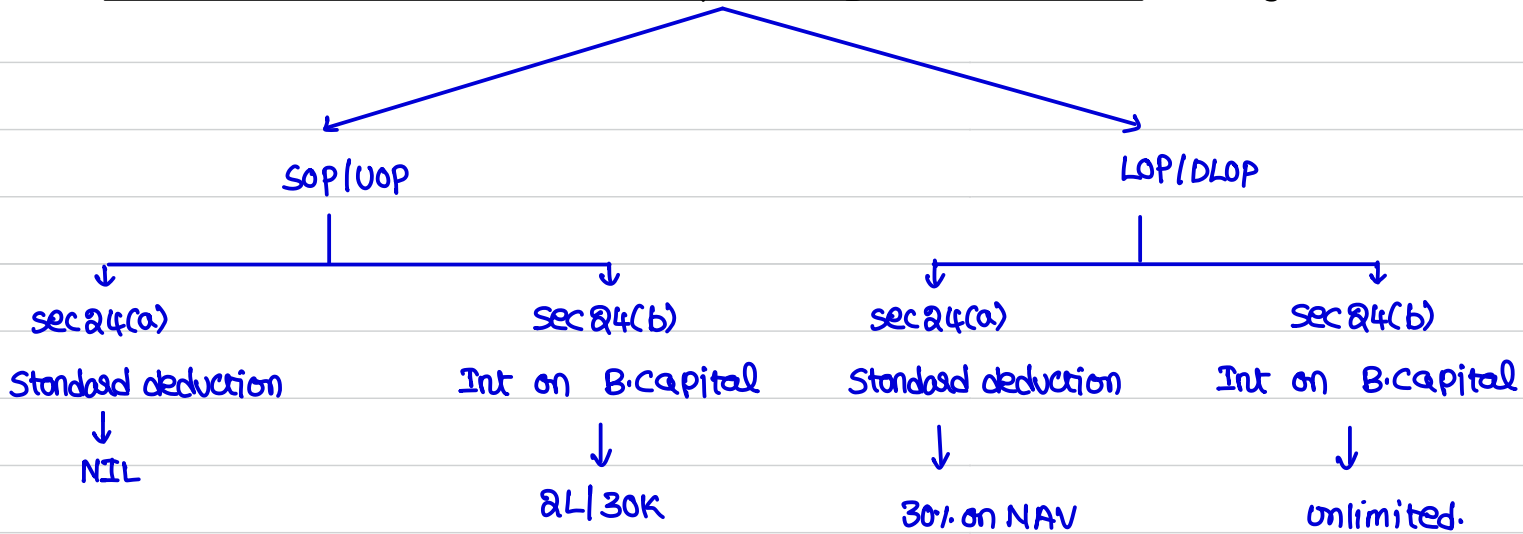
1. loan should be borrowed on/after 1/4/1999
2. Purpose - purchase / construction
3. If loan taken for construction



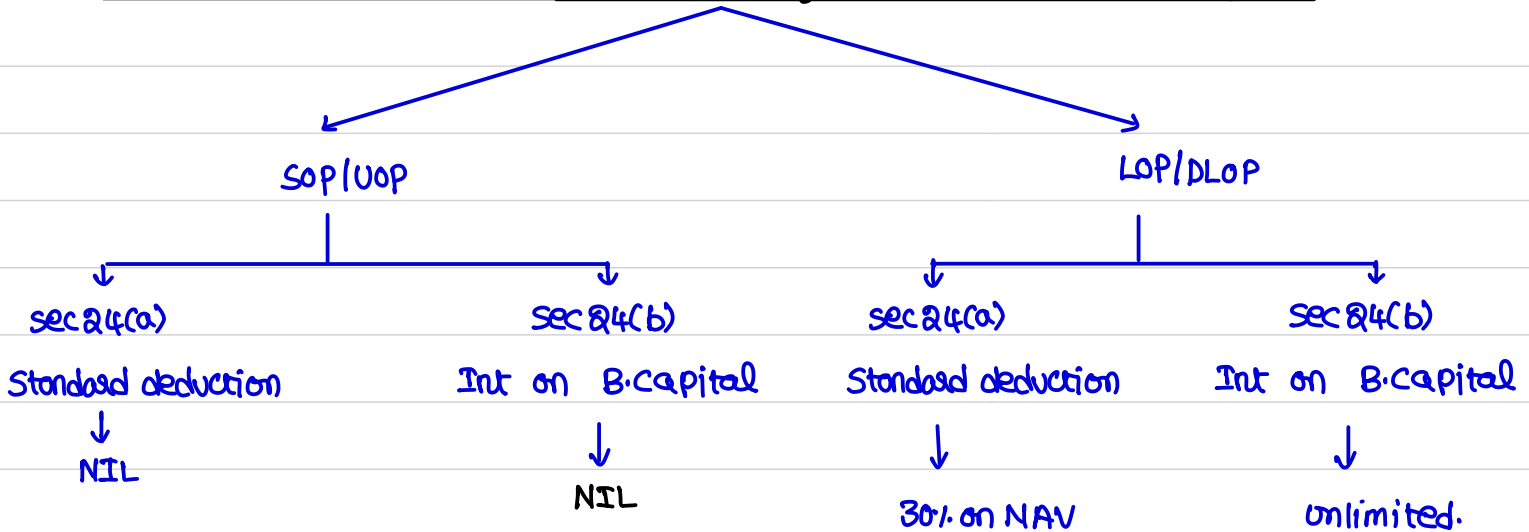
4. certificate obtained from - lender.



Deductions from NAV under Normal Provisions of Income tax (Old Regime)



Deductions from NAV under Default tax Regime U/S 115BAC (New Regime)



Loss from house property - treatment

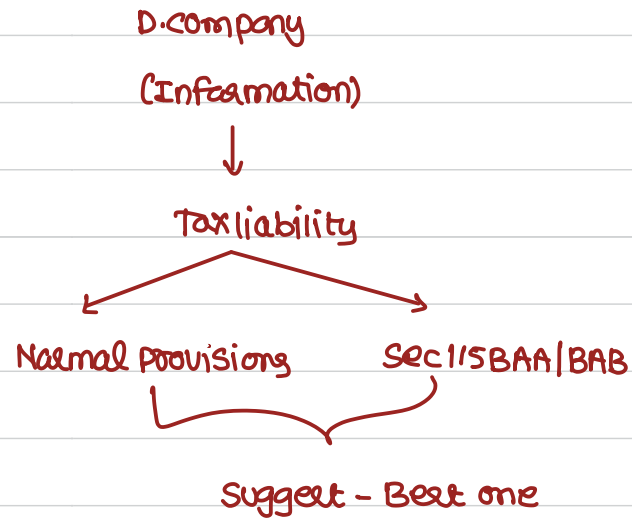
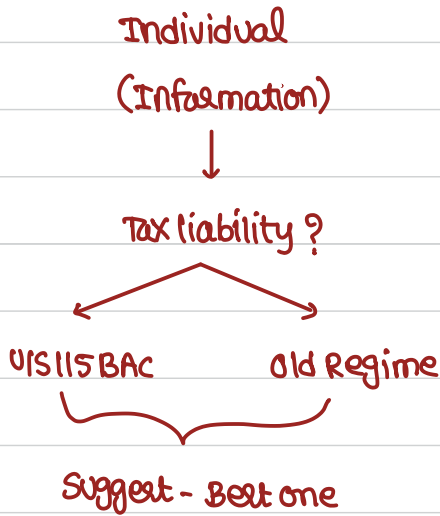
under Normal tax Rates/  
optional Old Regime

- \* Loss from HP can set off against any other head of Income to extent of ₹2,00,000
- \* balance loss C/F to next 8AY's

under default tax Regime  
U/S 115BAC

- \* Loss from HP not allowed to set off against Any other head.
- \* C/F ~~X~~

Important Note:



Normal provision  
Old / optional Regime

U/S 115BAC  
115BAB/BAA

1. Basic concepts

a. Rebate U/S 87A  
(only for R. Ind)

✓ Total Income ≤ 5L  
✓ Rebate

Tax payable }  
(₹)            ↓  
12,500

✓ Total Income ≤ 12L  
✓ Rebate

Tax payable }  
(₹)            ↓  
₹60,000

b. Marginal Relief under  
Rebate U/S 87A

✗

✓

2. Income from salaries

a. Deductions

→ Standard deduction	₹ 50,000	₹ 75,000
→ Entertainment Allowance	✓	✗
→ Professional tax	✓	✗

b. Retirement benefits

LTC - Exemption u/s 10(5)

✓

X

c. Allowances

→ HRA - Exemption u/s 10(13A)

✓

X

→ children Educational Allowance

₹100 per month per child (Max 2)

X

→ children Hostel Allowance

₹300 per month per child (max 2)

X

Exemption

→ Transport Allowance

(Exemption Available only to physically disabled)

₹3200 Pm

₹3200 Pm

→ Helper Allowance

uniform Allowance

Research / training Allowance

Amount incurred

for such Purpose

Exempt

X

→ Tour / Travel / Transfer Allowance

Daily Allowance

conveyance Allowance

Amount incurred

for such Purpose

Exempt

Amount incurred

for such Purpose

Exempt

Exemption

→ Truck driver Allowance

a. 70% of Allowance

(or)

b. 10,000 Pm

} ↓

X

→ City compensatory Allowance

Tiffin Allowance

medical Allowance

Servant Allowance

Fully Taxable

fully Taxable

non practicing Allowance

Entertainment Allowance

Dearness Allowances

d. perquisite

Exempt

→ Food & non Alcoholic beverages

upto ₹50 per meal

X

### 3. Income from House Property

a) SOP

→ Interest on B. capital

2L/30,000

X

Per Assessee

b) LOP

→ Standard deduction

30% of NAV

30% of NAV

→ Interest on B. capital

unlimited

unlimited.

c) Loss under HP

→ Inter head set off

Max ₹2,00,000

X

can setoff

→ C/F to Next 8AY

✓

X

4. PUBP

a) Normal Depreciation	✓	✓
b) Additional Depreciation	✓	X
c) <u>Sec 35: Scientific Research</u>		
→ Inhouse Research	✓	✓
→ Contribution to outside	✓	X
d) <u>Sec 35AD: Specified business</u>	✓	X
e) <u>Sec 35CCA: Contributions to Rural development.</u>	✓	✓
f) <u>Sec 35CCC: Contributions to Agricultural Extension project.</u>	✓	X
g) <u>Sec 35CCD: Contributions to Notified Skill development project (Assessee - company)</u>	✓	X

5. Income from other sources

→ Family pension

<u>Deduction</u>	<u>Deduction</u>
↓ { a) 1/3 <sup>rd</sup> Family Pension b) ₹15,000	↓ { a) 1/3 <sup>rd</sup> Family Pension b) ₹85,000

6. Cloning provisions

Sec 64(1A): Income of minor child

Parent - old RegimeParent - IISBAC

Exemption u/s 10(32)

X

₹1500 Pa. per child

7. Setoff

a) Intra head adjustment

✓

✓

b) Inter head adjustment

✓

X

8. Chapter VIIA deductions

a) Sec 80CCD(2)

✓

✓

b) Sec 80CCH(2)

✓

✓

c) Sec 80JJAA

✓

✓

d) Sec 80M

✓

✓

e) Sec 80LA

✓

✓

f) all other sections

✓

X





particular	Normal	HSBAB
<u>PUBP</u>		
NP	30,90,000	30,90,000
+ Dep	4,50,000	4,50,000
+ Employees	11,00,000	11,00,000
+ Expenses to Dividend	3,60,000	3,60,000
- Dividend	(17,00,000)	(17,00,000)
- ND	(4,90,000)	(4,90,000)
- AD	(1,50,000)	-

IFOS

3.6L (0%) 20% (17L) ↓

26,60,000	28,10,000
17,00,000	17,00,000
(3,40,000)	(3,40,000)
<u>13,60,000</u>	<u>13,60,000</u>

QIT	40,20,000	41,70,000
GIBOM	(17,00,000)	(17,00,000)

TI	23,20,000	24,70,000
----	-----------	-----------

↓  
25% + 4%  
15% + 10% + 4%  
@ 17.16%

TAX	6,03,200	4,98,850
-----	----------	----------

option 1

option 2

HRA

RFA

Basic salary (55,500 x 6m)	3,33,000	3,33,000
DA (50,000 x 6m)	3,00,000	3,00,000
MA (10,000 x 6m)	60,000	60,000
BONUS	27,750	27,750

Taxable value of HRA 1,20,000

Exemption 10(13A) (86,700) 33,300

- a) 1,20,000
- b) 1,20,000 - 10% Salary  
 $1,20,000 - 33,300 = 86,700$
- c) 40% of salary  
 $40\% (3,33,000) = 1,33,200$

Taxable value of RFA

10% (420,750)

4008 salary

(-) SD

Net salary

	-	42,075
	7,54,050	7,62,825
	(50,000)	(50,000)
	<u>7,04,050</u>	<u>7,12,825</u>

Salary = Basic + DA (FPRB) + C.I.  
 = 3,33,000 + 0 + 0  
 = 3,33,000

Salary = 3,33,000 + 27,750 + 60,000  
 = 4,20,750

~~HRA - Taxable~~

Basic payments → FT

- ✓ basic salary
- ✓ fees
- ✓ bonus
- ✓ Commission

$$\frac{10cr}{1cr} = 11cr$$

Dep  $11cr \times 15\% \times 50\%$   
 $= 0.825$

10cr - loan @ 12%

(≤ 180 days)



first put to use

$$10cr \times 12\% \times \frac{10}{12}$$

$$= 1cr$$

↓  
 added to asset cost

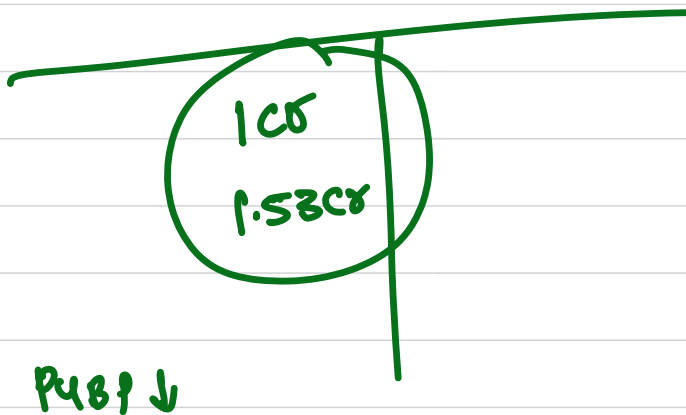
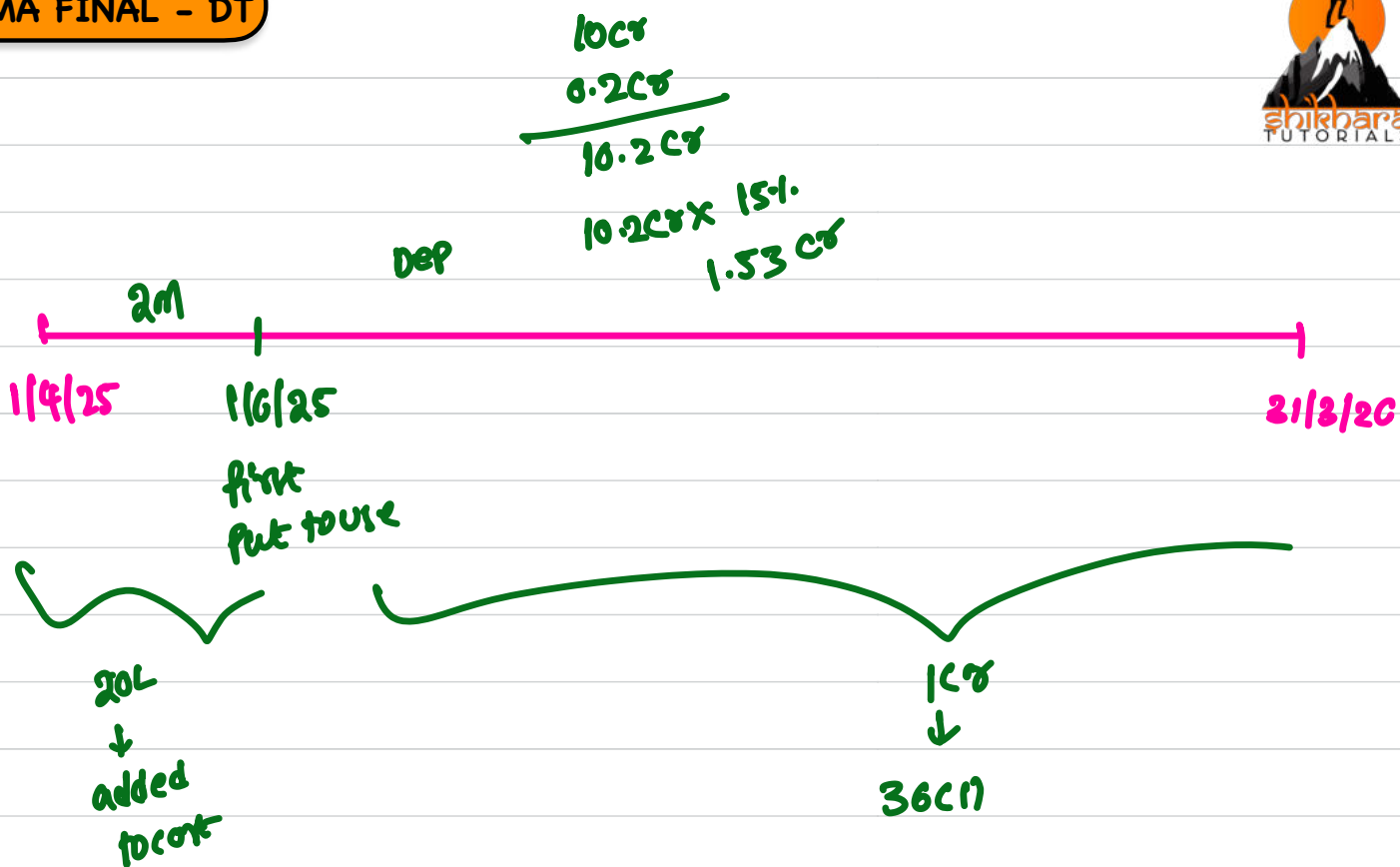
$$10cr \times 12\% \times \frac{2}{12}$$

$$= 20L$$

↓  
 allowed as deduction (15 36L)

PY 25-26

	20L
Dep	0.825L
PUBPD	



## Question No 26

## option 1: Manufacture the product

Year	a Manf. cost	b Depreciation@15%	c (a+b) x 32.445%	(a-c) Cash outflow	PVIF@14%	PV
0	-	-	-	10,00,000	1	
1	15,00,000	1,50,000	5,35,343	9,64,657	0.87719	
2	18,00,000	1,27,500	6,25,377	11,74,623	0.76947	
3	21,00,000	1,08,375	7,16,507	13,83,493	0.67497	
4	24,00,000	92,119	8,08,568	15,91,432	0.59208	
5	27,00,000	78,300	9,01,419	17,98,581	0.51937	
6	-	-	-	(1,50,000)	0.51937	
<b>Total</b>						<b>54,82,319</b>

## option 2: Buy the product

Year	a Purchase cost	b a x 32.445%	(a-b) Cash outflow	PVIF@14%	PV	
1	20,00,000	6,48,900	13,51,100	0.87719		
2	22,00,000	7,13,790	14,86,210	0.76947		
3	24,00,000	7,78,680	16,21,320	0.67497		
4	26,00,000	8,43,570	17,56,430	0.59208		
5	30,00,000	9,73,350	20,26,650	0.51937		
<b>Total</b>						<b>55,15,634</b>

Conclusion: since the PV of cost is lower if ABC Ltd manufactures the product (₹54,82,319) compared to buying it from outside (₹55,15,634), the company should go for the make/manufacture option.

## Question NO 24

## option 1: Buy Asset by taking loan

Year	a Instalment	b Interest@14%	c Depreciation@15%	d (b+c) x 33.33%	(a+b-d) Net cashoutflow	PVIF@10%	PV
1	20,000	14,000	15,000	9,634	24,366	0.909	
2	20,000	11,200	12,750	7,956	23,244	0.826	
3	20,000	8400	10,838	6,391	22,009	0.751	
4	20,000	5600	9,212	4,921	20,679	0.683	
5	20,000	2800	7,830	3,531	19,269	0.621	
				Total			83,967

## option 2: Acquire asset on lease

Year	a Rentals	b = a x 33.33% Tax savings @ 33.33%	a-b Net outflow	PVIF@10%	PV
0	1000	332	668	1	
1	30,000	9,966	20,034	0.909	
2	30,000	9,966	20,034	0.826	
3	30,000	9,966	20,034	0.751	
4	30,000	9,966	20,034	0.683	
5	30,000	9,966	20,034	0.621	
			Total		76,597

conclusion: PV of Net cash flows is lower in option 2 (lease). hence it is suggested to acquire the asset on lease basis.

### Question 25

Option 1: Buy Asset - by using own money

Year	a Depreciation	b = a x 34.94% Tax Savings @ 34.94%	c PVIF @ 10%	(b x c) PV
1	35,000	12,230	0.909	
2	9750	3,407	0.826	
3	8288	2,896	0.751	
4	7044	2,462	0.683	
5	5988	2,092	0.621	
Total PV of Tax Savings				19,087

Effective cost of machine = 1,00,000 - (19,087) = ₹ 80,913

Option 2: Buy Asset - by using loan

Year	a Principal	b Interest @ 9%	c = b x 34.94% Tax Savings @ 34.94%	(a+b-c) Net out flow	PVIF @ 10%
0	25,000	-	-	25,000	1
1	-	6750	2359	4391	0.909
2	-	6750	2359	4391	0.826
3	-	6750	2359	4391	0.751
4	-	6750	2359	4391	0.683
5	75,000	6750	2359	79,391	0.621
Total PV of loan out-flows					88,217
(Less) Tax saving on dep					(19,087)
PV of Net out flow					69,130

option 3: Asset taken on lease

Year	a Rentals	b = a × 34.944% Tax savings @ 34.944%	Net cash outflow	PVIF @ 10%	PV
0	1000	349	651	1	
1	34,000	11,881	22,119	0.909	
2	34,000	11,881	22,119	0.826	
3	34,000	11,881	22,119	0.751	
4	34,000	11,881	22,119	0.683	
5	34,000	11,881	22,119	0.621	
PV of lease outflows				→	<u>84,482</u>

conclusion: since the pv of cash outflow is lower in case of Asset acquired by using loan as compared to other options, it is advisable to purchase the Asset through borrowed funds.

Sec 80IA: Deduction wrt PGBP Income of undertaking / Enterprise

Engaged in Infrastructure development

↳ Road, bridge, Post, Airport (etc)

Deduction

1) a Road including toll Road, bridge (or) Rail systems

For All other infrastructural developments

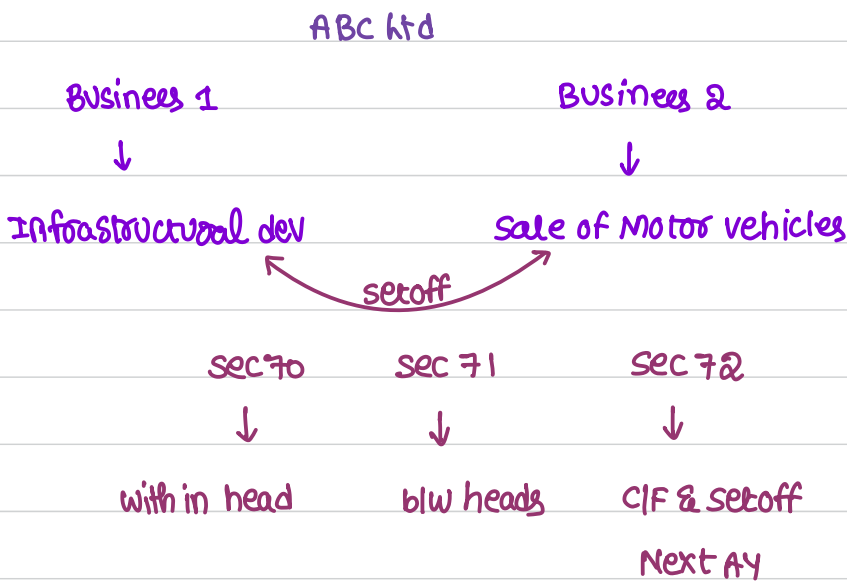
2) a highway projects

Deduction @ 100% of PGBP for 10 consecutive AY's out of 15 years beginning from starting of business

3) a Water supply project

Deduction @ 100% of PGBP for 10 consecutive AY's out of 80 years beginning from starting of business

Note:



Gross Total	Total	xxx
(-) Chapter VIA deduction		
Sec 80IA		(xxx)
(For computing deduction, PGBP of eligible business only considered as an Income of an Assessee)		
Net total income	→	xxx

Question 27

AY	unit A	unit B	Gross total Income	CIF
26-27	-6	-4	NIL	-10
27-28	-4	10	NIL	-4
28-29	5	9	10	NIL
29-30	8	6	14	NIL
30-31	9	-3	6	NIL

Computation of Total Income for last 3 AY's

Particulars	AY 28-29	AY 29-30	AY 30-31
Profit unit A	5	8	9
add: Profit from unit B	9	6	-3
Gross Total Income (a)	14	14	6

Less Chapter VIA deduction

Sec 80IA:

Current year profit	5	8	9
Less Notional loss B/F from earlier years.	-10	-5	NIL
Balance	-5	3	9

Deduction vis 80IA @ 10% (b)	NIL	3	6
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(Restricted with CITI)

Total Income (a-b)	14	11	NIL
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