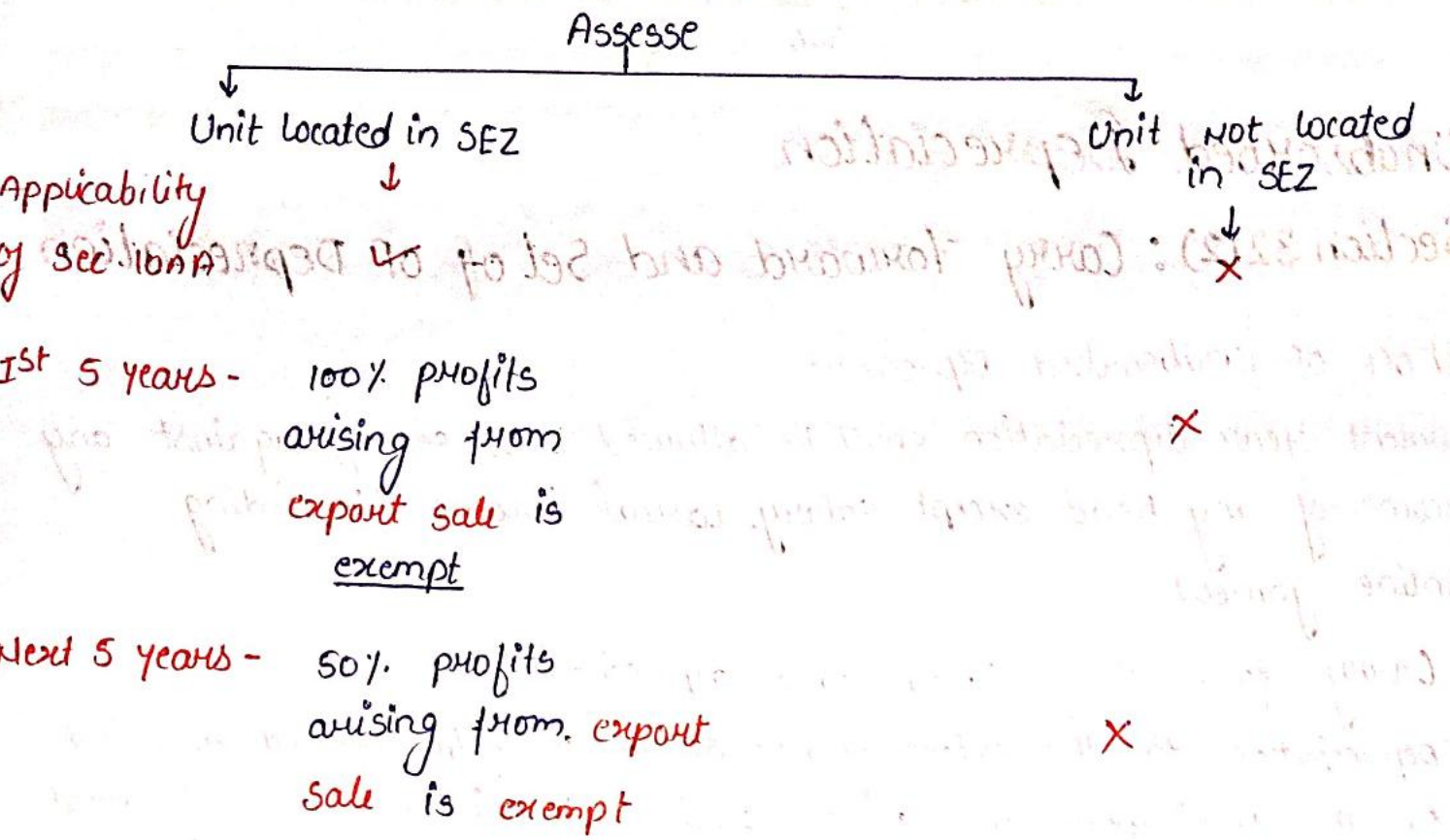


Section 10AA (Deduction if Unit is located in SEZ)

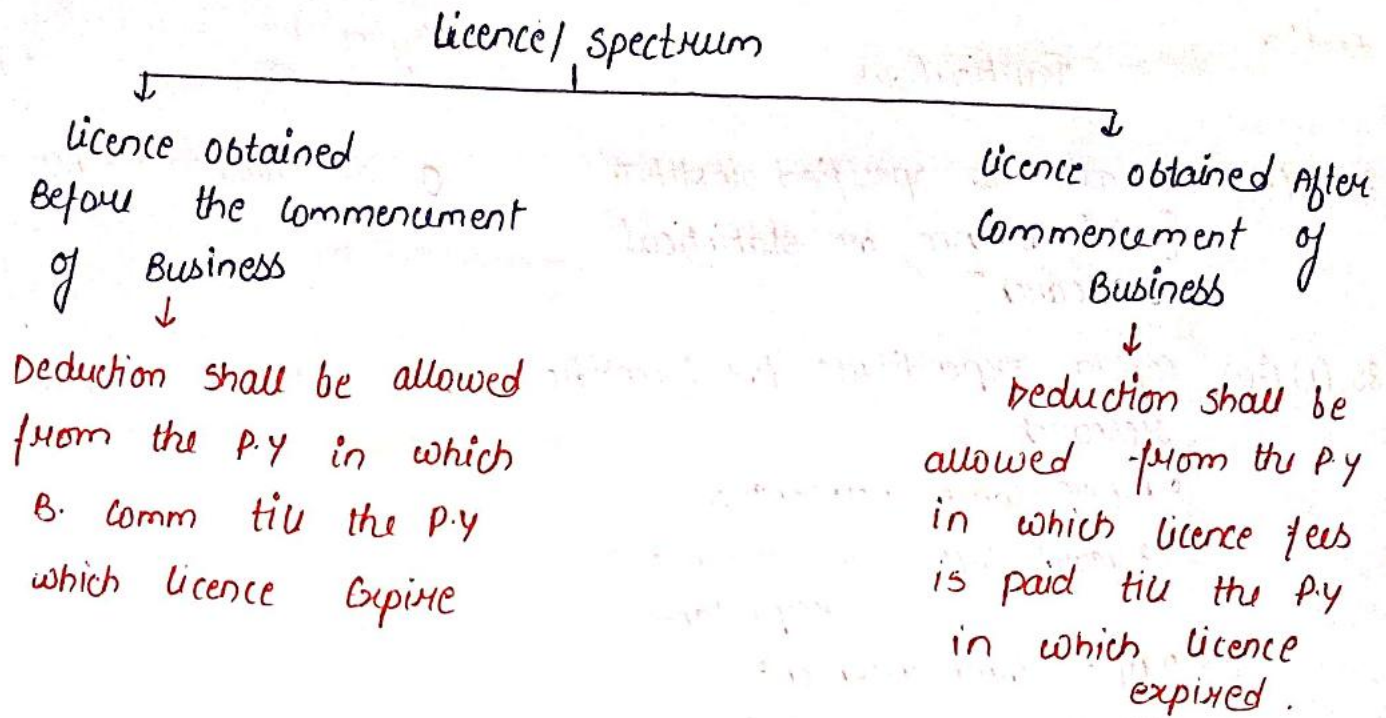


Example:- M. V. G. has two units : one located in SEZ and other not located in SEZ. Total Turnover of M. V. G. = 80 Crores. (includes 30 Crores of unit located in SEZ)
 Rs. 20 Crores : export sale out of 30 Crores.
 Total profit of SEZ unit - 16 Crores.
 Compute deduction u/s 10AA

Solution \Rightarrow For 1st 5 years = $\frac{16 \times 20}{30} = 10.67$ Crores.

For Next 5 years $\rightarrow \frac{10.67}{2} = 5.33$ Crores.

Section 35 ABB/ABA Expenditure for obtaining Telecom



Example:- Isha commenced business of telecom services during 1995-96. Assessee acquired licence on 2/7/23 for 100,000. Life of licence 10 year (TU 30/6/33)

$$\text{Deduction} = \frac{1,00,000}{10 \text{ (PY 23-24 - 33-34)}} = 9092 \text{ /-}$$

Tax Treatment On Sale OF Licence

Cost of licence = 200 L , life of licence = 10 P.Y.

Deduction Allowed = 20 L Every year, after 6 year licence sold:-

- 1) 55L 2) 125L ③ 220L.

Solution:- Cost of licence = 200 L

$$\text{Amortised Cost} = \frac{(20L) \times 6}{80L}$$

① SP < Unamortised Cost

$$55L < 80L$$

= 25L (allowed as deduction)

U/s 35ABB

② ⇒ SP > U. cost

$$125L > 80L$$

$$= 45L$$

Taxable U/M PGBP

③ ⇒ SP > Cost

$$\text{SP} - \text{Cost} \Rightarrow 220 - 200 = 20L \text{ Capital gain}$$

$$\text{Cost} - \text{U. Cost} = 200L - 80L = 120L$$

(Taxable U/M PGBP)

Section 35 [Expenditure Related to Scientific Research]

Section	Particulars	Regime	Deduction Allowed	Applicability
35(1)(iii)	Donation to specified institute [Social science or statistical research]	0	100%	All
35(1)(iv)	Capital expenditure for scientific research <ul style="list-style-type: none"> • Before commencement :- (3 years before - all expenses) except land • After commencement All expenses except Land 	Old	100%	All
35(1)(i)	Research expenditure for scientific research <ul style="list-style-type: none"> • Before commencement :- 3 years before (Raw Material and salary) • After commencement :- All Revenue expenditure 	Old	100%	All
35(1)(ii)	Donation to specified institute	0	100%	All
35(1)(ia)	Sum paid to specified company Reg in India for scientific research	0	100%	All
35(2AA)	Sum paid to IIT etc. for research	0	100%	All
35(2AB)	Expenditure in In-House Research, except negative goods, land → Not Allowed Building → Allowed u/s 35(1)(iv)		100%	only company

35CC	Expenditure on Agriculture extension	100%	All
35CD	Expenditure on skill development	100%	only company
37(2B)	Expenditure on advertisement in Magazine of political	Old	Disallowed All
35DD	Expenditure related to Amalgamation		Allowed in 5 equal Installments Company
35DDA	Expenditure related to URS	Old	Allowed in 5 equal installments All

Question-1

Profit & Loss A/c

Particulars	₹	Particulars	₹
To Exp. on Amalgamation	200,000	By Gross profit	50,00,000
To Depreciation (SLM)	400,000	By Int from F.D	10,00,000
To URS	1,20,000		
To Exp. on Sci. Research	100,000		
To Net profit	51,80,000		

Solution:- Net profit as per Co. Act = 51,80,000
 less: Int on F.D = {10,00,000}
 Add :- Depreciation = 4,00,000
 :- Exp. on Amalgamation = 2,00,000 } 1,60,000
 - 40,000
 :- URS (120,000 - 24,000) = 96,000
40,36,000

◦ Section 37 : General Deduction

An expenditure, allowed under Section 37, provided shall be :-

- It is **not** in the nature of expenditure described under Sections 30 to 36.
- It is **not** in the nature of capital expenditure.
- It is **not** a personal expenditure of the assessee.
- It is laid out and expended wholly and exclusively for the purpose of business/profession.
- It is **not** incurred for any purpose which is an offence or which is prohibited by law and [Exp 1 to Sec 37]
- It is **not** an expenditure incurred by an assessee on CSR activities referred to in Section 135 of Companies Act, 2013 [Exp 2 to Sec 37]

CRUX :-

To expenditure Sec 30 to 36 me allowed Nahi hue, Vo sabhi expenditure Sec 37 me allowed honge **only if** -

Revenue expenditure + 100% related to business + legal expenses
+ CSR wala exp. Na ho.