

◦ Section 32(1)(i) + 32(1)(iii) + 41(2) + 50A: Special provisions relating to power generation undertakings

◦ Eligible Assessee - Electricity company

◦ Option - SLM or WDV

→ If opt SLM

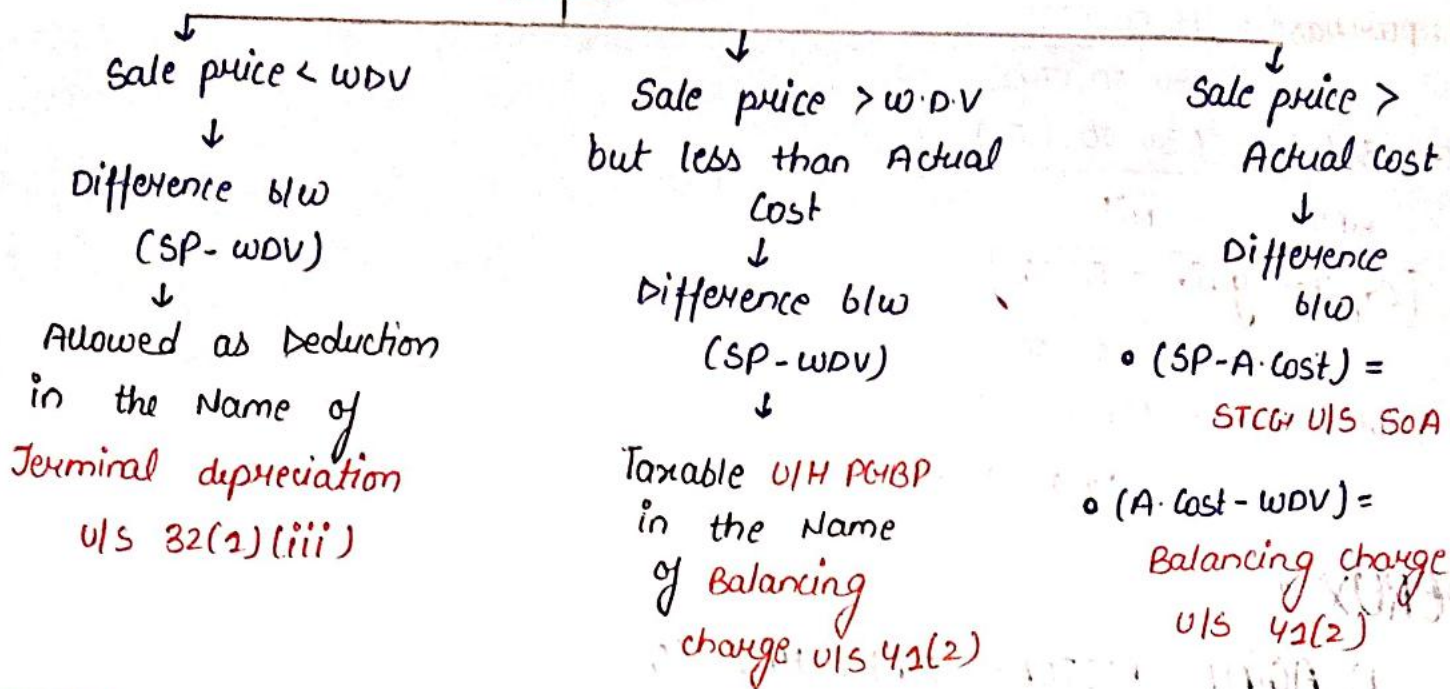
Provision follow: 32(1)(i) + 32(1)(iii) + 41(2) + 50A

→ If opt WDV

Provision follow :- 32(1)(ii) + 32(1)(iia) + 50

→ Concept of SLM Method u/s 32(1)(i)

CASES



Example:- Tata power acquired an Asset (PEM) for power generation Rs 120 lakh, and opt SLM Method for Dep and Rate of dep is 10%. After 6 years, sold on following prices -

Case 1 - 22,00,000 Case 3 - 140 Lakh
Case 2 - 90,00,000

Solution:-

Actual Cost	=	1,20,00,000
less: Total dep claimed in 6 years (120,00,000 × 10% × 6)	=	(72,00,000)
WDV		48,00,000

Case-I : SP < WDV

Terminal Depreciation = 4800,000 - 22,00,000
u/s 32(1)(iii) = 26,00,000

Case-II : SP > WDV

Balancing charge = 90,00,000 - 48,00,000
u/s 41(2) = 42,00,000

Case III: SP > Cost

$$\text{STCG u/s 50A} = \text{SP } 140,00,000$$

$$\begin{array}{r} \text{(-) Cost } (120,00,000) \\ \hline 20,00,000 \end{array}$$

Balancing charge

$$\begin{array}{r} \text{u/s 41(2)} = \text{Cost } 120,00,000 \\ \text{(-) WDV } (48,00,000) \\ \hline 72,00,000 \end{array}$$

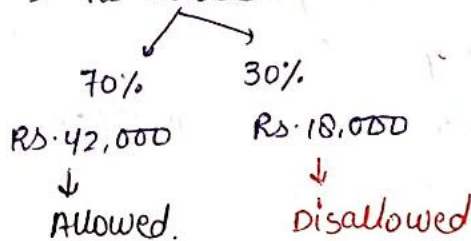
Section 38(2)

where any Building, Machinery, plant or furniture is not exclusively used for the purpose of Business or profession (i.e. partly for Business, partly for personal) then depreciation or deduction u/s 30/31/32 shall be restricted to fair proportionate to use of Business

Example:- opening WDV of P&M (01/04/23) = 400,000

Suppose 70% used for Business purpose and 30% used for personal purpose

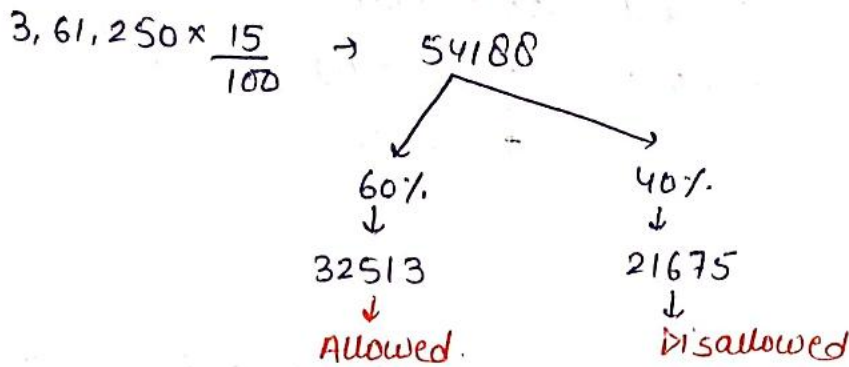
$$\text{Depreciation @ 15\%} = \text{Rs. } 60,000$$



Block of Asset	₹
opening WDV	4,00,000
Less: Dep actually allowed	(42,000)
closing WDV	<u>3,58,000</u>

Q. Mr. VG acquire Machine of Rs. 500,000 on 1/4/2022 and used for the personal purpose and 1/4/2024 Mr. VG used such Asset 60% for Business purpose and 40% personal purpose. Compute Depreciation u/s 32 for P.Y 24-25?

Solution:- 500,000 → 31/3/23 → 75,000
 4,25,000 → 31/3/24 → 63,750



2nd Proviso to Section 32(1)

In case of Succession or amalgamation or demerger, depreciation is allowed to predecessor and Successor in the Ratio of No. of days for which assets were used by them in the P.Y when Succession or amalgamation or demerger takes place. Depreciation to be apportioned shall be computed assuming that Succession has not taken place.

Example:- RPL purchase one plant & Machinery on 1/4/2023 = 250,0000
 Rate of Dep = 15%.

RPL amalgamated with RIL on 18/12/2023. After Amalgamation, amalgamated Co. will use such assets compute depreciation.

Solution:- Depreciation = 2,50,000 × 15% → 3,75,000

In the Hands of RPL - 1/4/23 - 18/12/2023

$$= 375000 \times \frac{262}{366} = \text{Rs. } 2,68,443$$

In the Hands of RIL - 19/12/23 - 31/3/24
$$= 375,000 \times \frac{104}{366} = \text{Rs. } 106,557.$$

◦ Unabsorbed Depreciation

Section 32(2): Carry Forward and Set off of Depreciation

→ Set off of Unabsorbed Depreciation

Current year depreciation shall be allowed to be set-off against any income of any head except salary, casual income (including online games)

→ Carry forward of Unabsorbed depreciation

Depreciation to the extent of not set-off shall be carried forward to the next year and set-off against the income of any head except salary and casual income

◦ Important Points

- ① Depreciation shall be allowed to be carried forward even if business has been discontinued.
- ② The unutilised depreciation can be carried forward for unlimited time.
- ③ Priority of set-off
 - (i) C.Y depreciation
 - (ii) BIF Business loss
 - (iii) unutilised depreciation
- ④ Unabsorbed depreciation can be C/T and set off even if ROI is filed after due date or ROI not filed.
- ⑤ If assessee avail default scheme, unabsorbed depreciation related to additional depreciation can not be C/T.