

P4BP adjustments
CA-Final Direct Tax
Applicable for NOV-23 Exams

Items already debited now disallowed :-

Add back in Net Profit → (Deduction de dérivés de, Income tax liya ni)

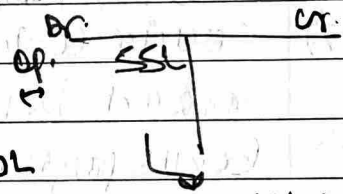
- 1) Depreciation as per Companies Act.
- 2) Employees' PF to EPF if not deposited on or before due date.
- 3) Penalty for delayed filing of ITR Return. (Interest is allowed as deduction)
- 4) Exp. on Notified Skill develop. proj. u/s 35CCO. (Not on IAS)
(General on if Sec 115BAA opted by Co.)
- 5) Loss by fire. (Capital Nature)
- 6) Expenditure on earning dividend → considered u/s 105.
- * 7) opening stock overvalued by 10%.

eg:- op. stock = 55L

overvalued by 10%

Correct op. stock = $\frac{55L}{110\%} = 50L$

Difference = $55L - 50L = 5L$



It should have been 50L

So 5L is added back.

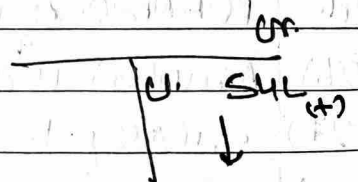
8) closing stock undervalued by 10%

eg:- Cl stock = 54L

undervalued by 10%

Correct Cl stock = $\frac{54L}{90\%} = 60L$

Difference = $60L - 54L = 6L$

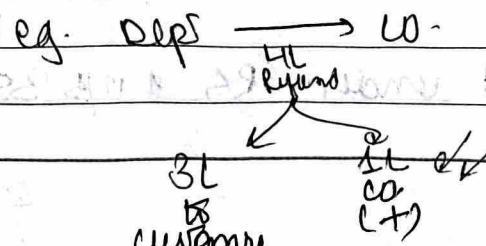


It should have been 60L

So, 6L is added back.

9) Only 1/3 exp. allowed under u/s 35DDA.

- 10) Interest paid to NR buyer of goods on deposits made. w/o TDS deduction. → 40 (a) u)
- 11) Salary if paid by bearer cheques.
- 12) Int. on borrowing paid to NRFC after due date of ROI.
- 13) Salary for installation of M/c → Part of Ad. Cost
- 14) Donation to political party; Advt in fl brochures
- 15) Trav. for gratuity not allowed. Only paid allowed.
- 16) Franchise fees paid is an intangible Asset → Only dep. allowed u/s 32.
- 17) Royalty paid to NR → Tax deducted but not deposited till ROI.
- 18) Int. on loan for purchase of P/M → Int. upto asset first put to use → NOT allowed.
- 19) Payment of online Advt. service & NO TDS deducted
↳ 100% disallow u/s 40 (a)(ib)
- 20) Payment to consultant is capital in nature.
- 21) Purchase from related party at higher price
- 22) Service contract expense, if duration of service contract is upto 90 days. → Sec 43 CB.
- 23) Bonus payment made after due date of ROI.
- 24) Rejuvenation fee → penalty for infringement of law.
- 25) Assesee → Agreement → NOT to engage in business
↳ Non compete fees → Intangible Asset → Dep Allowed, add back
- 26) Amount waived by sundry creditors. → Sec 41 (C).
- 27) Salary to working partner of LLP.
- 28) Int. & borrowing cost incl. in opening & closing.
- 29) Sales tax refunded by dep. → Amt. chargeable to tax to Co.



Items credited but now allowed as per IT Act:-

Use:- deduction denovo ni di, income barade trini ni)

- 1) Scrap value of Machinery (Capital in Nature)
- 2) Dividend received from foreign co. → U/H IOS.
- 3) Profit on Sale of Building → U/H Capital gains
- 4) Dep. as per IT Act
- 5) Payment to subcont. → 30% of sum payable → If tax deducted & remitted in currency → U/S 40(a)(ia)
- 6) Exp. towards grant of ISO 9001 certificate [+ asset IA]
- 7) Profit on Sale of land to Ind co → Exempt → So reduce from P&L
- 8) Additional Compensation received → U/H Cap. Gains
- 9) Discount on issue of deb → 1/2th Allowed
- 10) Purchase omitted to be recorded in books.
 - ↳ Considered in U-Stock valuation.
- 11) Revenue from service contract if recognised on project completion method → Sec 43B.
- 12) Cost of glass sign boards → Revenue in Nature
 - ↳ Allowed as deduction.
- 13) Provision for wages payable to workers
 - ↳ Allowed as per ICDS X → Reasonable certainty.
- 14) Installments of funded swt → Allowed as per CBDT Circular. → Sec 43B.

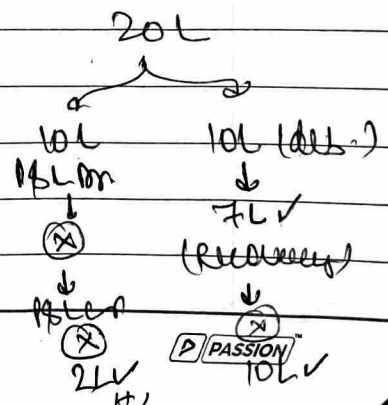
~~100) Some tax reported by dep. (2)~~

15) Bad debt Recovered → Sec 41(4) (Earlier cr. to P&L)

Eg. Sales to A → 20L
 Bad debt created → 10L
 Debtor has died → 10L
 Bad recovered → 7L

So, Nothing would be credited to P&L A/c.

If recovery 12L, then 2L add back to P&L.



NO Treatment :-

- 1) Sales comm. paid to NR in foreign currency for procuring orders O/s India.
- 2) Salary paid in cash at time of retirement → Rupees 600
- 3) Exp. on inauguration of business → Allowed
- 4) Penalty for non-fulfilment of contract → Allowed.
- 5) Inv. lost on finished goods → Allowed as per Sec 2.
- ↳ NOT to be inv. in F4 → Inc. in profit
- 6) Industrial power tariff concession credited
- 7) Purchase of wheat in cash → Allowed in 600 (exception) (>10,000).

ALL THE BEST!

CA. DHIRU BANERJEE