2) For claiming bad debts assessee should write off debtors.

* section 41(4): Bad debts Recovery –
If deduction of bad debts is already allowed then recovery of Bad debts will be taxable in the year in which it is recovered even if the assessee not doing the same business.

- Note :- Recovery is taxable only if assessee who claim the bad debts & recovered is same.

- Example :-

Mr. BB $\xrightarrow[\text{sale}]{\text{Goods}}$ kashish
500000

Bad debts = 500000 $\boxed{\text{PY 22-23}}$

AO: 300000 Allowed Bad debts; 200000 Disallowed

$\boxed{\text{* PY 24-25}}$ Recovery : 350000

Taxable in PY 24-25
① 300000 ✗
② 150000 ✓
③ 350000 ✗
④ 210000 ✗

Taxable Amt = Recovery − Disallowed earlier
350000 − 200000
= 150000

P & L

To Bad debts	300000	Sales	500000
To NP	200000		

- Note :- suppose in above example, if recovery is only 160000 How much taxable

  160000 - 200000

  Taxable amt = Nil.

  If examiner gives that recovery is in final settlement then nothing is taxable but 40000 further bad debts is allowed.

5) **Bonus and commision to employees** :- Allowed

[As per section 43B : It is allowed only if it is actually paid upto due date of Return filling]

6) Employer contribution

- Statutory providend Fund
- Recognised providend Fund
- Approved Gratuity Fund
- Approved super Annuation Fund
- Fund as per law

↓

Allowed

[As per sec 43B : It is allowed only if it is actually paid upto date of return filling.]

- unregonised providend Fund
- unApproved Gratuity Fund
- unapproved super annuation Fund
- Any other Fund

↓

Not allowed

Employer contribution to pension scheme u/s 80CCD National pension scheme / New pension scheme / central government pension scheme →

* Deduction Allowed
  - i) Actual contribution xxx
  - ii) 14% of salary xxx

(Basic + DA IT)

[As per sec. 43B. It is allowed only if it is actually paid upto the due date of Return filling]

8) If any sum received by employer from employee as a contribution to PF or super annuation or ESI (Employee State Insurance) etc. has to be deposited by employer upto the due date of such fund otherwise it will be treated as PGBP income of employer

• Note :- PF due date is 15^{th} of next month.

9) Family planning Expenditure of Employee :-

Deduction Allowed only to company

Revenue Expenditure → 100% Deduction

capital expenditure → 5 equal installments

) Discount on zero coupon Bonds :- (ZCB)

It is allowed as deduction on pro-rata basis over the life of bonds (calender month)

Example :- RIL issued 100000 ZCB @ 80 per Bonds on 01/01/2024 (FV=100). ZCB are reedeemable after 12 month.

calculate discount allowed for PY 24-25

→ Total discount = 20 × 100000 = 2000000

monthly discount = $\frac{2000000}{12}$ = 166667

Total discount allowed in PY 24-25 = 166667 × 5
= 833335

5 months = Nov 24 to march 25

11) Interest on loan :-

Interest on loan

Loan for Business or professional purpose
- Loan from scheduled bank (including cooperative Bank) public Financial institution, State Financial corporation, state industrial invest corporation, NBFC
  ↓
  Allowed
  [As per sec. 43 B, it is allowed only if it is actually paid upto due date of return filling]
- loan from others
  ↓
  paid / outstanding
  ↓
  Allowed

Loan for personal purpose
↓
Not allowed

* section 37 : General deduction –

Any expenditure not covered under sec 30 to 36 shall be allowed as deduction u/s 37 if following conditions are satisfied.

i) Expenditure should be wholly & exclusively for business or professional purpose.
ii) Expenditure should be revenue in nature.
iii) Expenditure should be legal.

- Note : Following expenses are treated as illegal and not allowed.

a) For any purpose which is an offense or prohibited by any ~~two~~ law in india or outside india.

b) To provide any benefit or perquisit to any person and acceptance of such benefit by such person is violation of any law, rule, regulation or guidelines [freebies to doctor].

c) To compound any offense under any law.

Examples :-

1) salary

a) salary to employee → Allowed
b) salary to working partner → Allowed.
c) salary to sleeping partner → not allowed.
d) salary to Director → Allowed.

2) Advertisement :– Allowed.

Note :- If the advertisement in newspaper, pamplets, Brochure of any political party is not allowed.

3) Diwali pooja expenses / New office opening expenses. → Allowed.

4) Gift to employee or customer → Allowed.

5) Keyman insurance policy premium paid. → Allowed.

6) Free samples provided by pharma company to doctors → Not allowed.

7) Corporate social Responsibility expences (CSR) → Not Allowed (since it is not for the purpose of business or profession).

8) Taxes

	Tax	interest	penalty
Direct tax			
Income tax / surcharge / HEC	Not Allowed	Not Allowed	Not Allowed
Indirect tax (GST / customs)	Allowed	Allowed	Not Allowed

[As per sec. 43B, it is allowed only if it is actually paid upto due date of return filling]

* Note : penalty for Breach of law → Not allowed
penalty for Breach of contract → allowed.

g) other expenses :

i) Telephone expenses
ii) printing + stationary
iii) Electricity expenditure
iv) Audit fees
v) Travelling expenses
vi) sundary expenses etc.

Allowed if it is incurred for business or profession purpose.