

Sec 40 : amt specifically not allowed / disallowed

1) Sec 40 (a) (i) Payment made to non-resident or foreign company.

- Amount paid / credited to non-resident / foreign company shall be 100% disallowed. If :-

- a) TDS not deducted in previous year.
- b) TDS deducted in p.y but not paid to government upto due date of return filing.

Sec 40 (a) (ia) : Payment made to resident

- any amount paid / credited to resident shall be 30% disallowed if :-

- a) TDS not deducted in p.y. or
- b) TDS deducted in p.y but not paid to govt upto the date of return filing.

deducted.

Note : IF TDS ~~deducted~~ in sub-subsequent year or deducted in p.y but deposited to govt. after due date of return filing then such expenses (100% / 30%) shall be allowed in p.y in which TDS has been paid to Govt ^{NR} ^R

Exception of above sections.

IF any Amt paid / credited and TDS not deducted but payee,

- a) Taken into account such amt in total income

and

b) has paid taxes to Government and on total income &

c) filed his return of income and.

d) payee has furnish a certificate from CA (from 26A)

then,

Whatever amt (100% / 30%) disallowed earlier shall be allowed in p.y in which payee furnish his return of income.

example no :- 1

BBVPL paid ₹ 500,000 to AK Sir as a Professional fees on 29/07/2024 without deducting TDS. AK Sir considered this Amt in his income he paid taxes to Govt and he has filed his return on 30/8/25. BBVPL obtain a certificate from CA.

A) ₹ 1,50,000 (500,000 X 30%) expenses disallowed in P.y 24-25.

B) 150000 exp is allowed in py 25-26 (Year in which AK Sir filed his return)

Sec 40 (a) (iii) TDS on Salary Payment o/s India or to non-resident in India.

Any Salary paid o/s India or to NR in India and it is:-

a) TDS is not deducted

b) TDS is deducted in py but not paid to Govt upto due date TDS payment then such Salary shall be disallowed

Note

If TDS deposited let even by one day then also salary Not allowed.

Sec 40 (a) (v) Tax on non-monetary Perquisite of employee

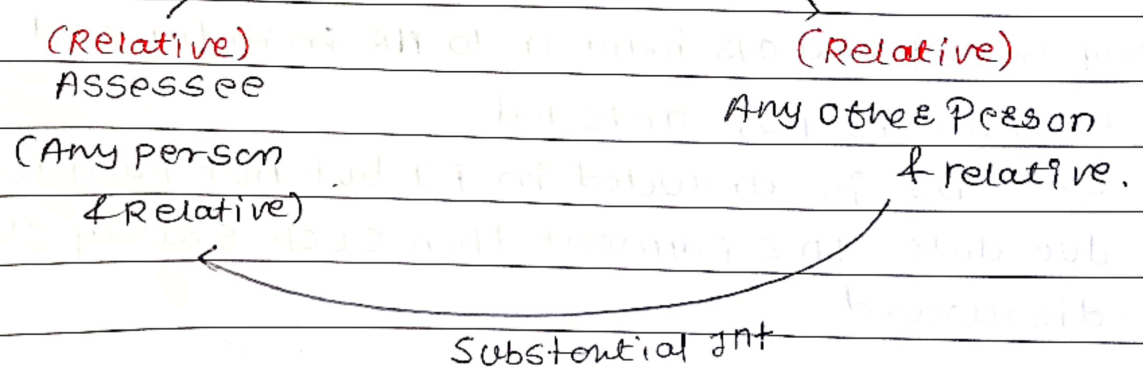
If only tax on non-monetary perquisite of employee is paid by employee from own Pocket then such tax is not allowed to employer.

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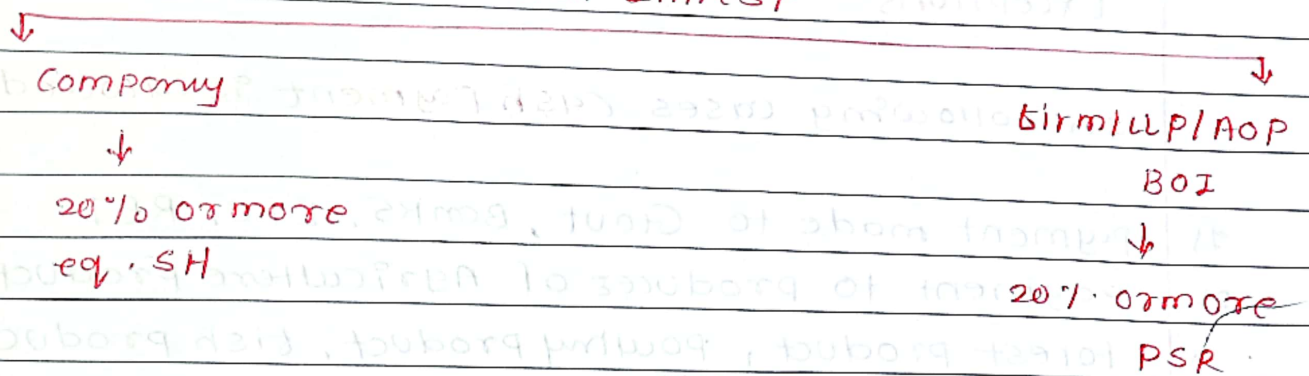
Sec 40 A (2) Payment to Relatives (Specified person)

If any Payment made to relative then Ao. Com disallowed excessive or unreasonable amount

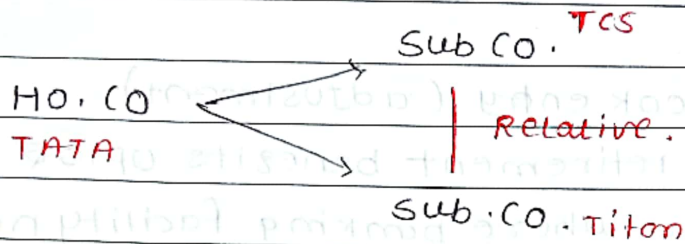
Assessee	Relative.
1) Individual	S. M. F. B. S. LA, LD.
2) HUF / AOP / BOI	Members and their
3) I	relative.
3) Firm / LLP	Partners and their
4) Company	relatives.
5)	directors and their
	relatives.
	Substantial Interest



Substantial Interest



⑥



Sec 40 A(3) : Cash payment more than ₹10000 to a single person in a single day

If assessee makes payment for any expenditure to single person in a single day more than 10000 by any mode other than Account payee check, A/c payee DD, Electronic ECS then such exp shall be disallowed

Notes

① If payment made to transporter then limit is ₹35000

② If any expenditure already claimed in earlier year on accrual basis and if such expenditure is paid subsequently by cash, bearer cheque or cross cheque more than 10000 then dedⁿ claimed earlier shall be withdrawn and taxable as PGBP in the year in which the payment is made

Exceptions

In following cases cash payment is allowed

- 1) Payment made to Govt, Banks, LIC, RBI
- 2) Payment to producer of Agriculture product, forest product, poultry product, fish product, live stock etc.
- 3) Payment by book entry (adjustment)
- 4) Payment of retirement benefits upto ₹ 50000
- 5) Payment made where banking facility not available.
- 6) Payment of salary to employee who is posted at any other place or ship for 15 days or more other than his normal place of duty.
- 7) Payment made by authorised dealer or money changer for purchase of foreign currency.
- 8) Payment for product manufacture without aid of power in cottage industry
- 9) Payment made to agent who is required to make payment in cash for goods or service on behalf of assessee.

Sec 40A(7) provision for Gratuity → Not allowed

Note:- only payment of actual Gratuity or Contribution to approve Gratuity fund is allowed as dedⁿ