7.	Developing and Building a Housing Project under affordable Housing scheme	1/4/2011
8.	Production of Fertilizers in India	1/4/2011
9.	Setting up and operating inland container depot or container freight station	1/4/2012
10	Bee keeping and production of bee's Honey and wax	1/4/2012
11.	setting up and operating a semi conduct-or wafer fabrication manufacturing unit.	1/4/2014
12	Setting up and operating a warehousing facility for sugar	1/4/2012
13.	Laying and operating a slurry pipeline for transportation of Iron ore.	1/4/2014
14	Developing or maintaining and operat-ing or developing, maintaining and operating a New Infrastructure facility	1/4/2017

Notes and conditions

1) Above business should be New, it should not be split up or reconstruction of existing business

2) P&M required should be New except

(i) – 20% of total plant and Machinery can be second hand.

(ii) – Imported secondhand plant and Machinery shall be treated as New only for this section

(iii) – under this section 100% deduction allowed for all the Capital expenditure except.

a) Land

b) Goodwill

c) financial instruments

(iv) – Deduction is allowed only if more than ₹10000 in a single day to a single person paid by Account pay cheque, or account pay demand draft or any mode of electronic clearing system.

(v) – Depⁿ is not allowed if dedⁿ claimed under sec 35AD

(vi) – Expenditure incurred before commencement of business is also allowed as dedⁿ in the year in which business commence.

(vii) – Loss from specified business can be set off only against Income from specified business and remaining losses can be carry forward for unlimited period.

(viii) – Petroleum and Natural Gas pipeline business and New Infrastructure facility business should be owned by Indian company or group of Indian co. and it is approved from prescribed authority.

(ix) — In case of Hotel if operation is transferred to any other person then also ded^n allowed under section 35AD.

(x) — New Infrastructure facility means Road, Toll Road, Bridge, Rail system, Highway project, water supply project, water treatment system, irrigation system, sanitation system, solid waste management, port, Airport.

(xi) — If any Asset is sold (on which ded^n claimed U/S 35AD) selling price of such asset is taxable under the head PGBP.

(xii) — Ded^n under this sec not allowed if Assessee opted 115BAC

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computation of PGBP of specified Business

	warehouse facility for food grains	warehouse facility for sugar
Profit before dedn u/s 35AD (A)	1600000	1400000
Less :- Dedn u/s 35AD		
Building	3000000 (80-50)	2000000 (60-40)
Add :- Extension of Building	2000000	1500000
	5000000	3500000
× Dedn u/s 35AD @ 100%.	100%.	100%.
(B)	5000000	3500000
PGBP (A - B)	(3400000)	(2100000)

PGBP for warehouse facility of Edible oil (No specified Business)

Net Profit		3100000
(-) Depn u/s 32		
Building (50-30) =	20	
Add :- Extension	10	
	30 lacs	
Depn on Building @ 10% (3000000 × 10%)		(300000)
PGBP		2800000

Note :- Losses from specified business of ₹ 5500000 cannot be set off against profit from warehousing facility of edible oil (Non specified business) so it will be carry forward.

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Note :- Loss of specified business can be set off only against income of any other specified business irrespective of whether the other specified business is eligible for Dedn u/s 35AD or not.

— If any Asset acquired for specified business should not be transferred to Non specified business within 8 years from the year of acquisition. If it is traf. within 8 yrs the following shall be taxable under the head PGBP

Particulars	
Amount of ded^n claimed u/s 35AD earlier	xx
(-) Dep^n that would have been allowable if sec 35AD not there	(xx)
PGBP	xx

— For Non specified business following shall be added to Block of Asset (Actual cost)

Particulars	
cost of such Asset	xx
(-) dep^n allowable if such asset used for non specified business from acquisition	(xx)
Actual cost	xx

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PGBP

	₹
Amt of Ded^n claimed u/s 35AD	5000000
(-) Dep^n Allowable if sec 35AD Not claimed (PY 24-25) 5000000 × 10%	(500000)
PGBP	4500000

In Non specified Business

		₹
Cost of Asset		5000000
(-) Depn allowable if Asset used in Non specified business from its acquisition	PY 24-25 5000000 x 10%	(500000)
	Actual cost	4500000

Note :-
If Asset transferred to Non specified business after 8 years or Asset acq. under gift, Amalgamation, demerger and previous owner already claimed dedn u/s 35AD then Actual cost of such Asset shall be Nil.

Sec 36(1) :- certain deduction u/s 36(1)

1) Insurance premium for stock in Trade → Allowed

2) Health Insurance premium paid for employee → Allowed if premium not paid in cash.

3) Animals used in the Business (other than SIT)
→ Dedⁿ is allowed in the year in which such Animal died or became permanent business

Amt of dedⁿ = cost of Animal − scrap value

4) Bad debts [sec 36 (1) (vii)]

- Actual Bad debts
  - Related to sales → Allowed
  - Related to loan → Not Allowed [Exception :- Money lending Business]
- Provision for Baddebts → Not Allowed

Note :- There is no need to prove that debt is bad for claiming Bad debts Assessee should write off debtors

5) Sec 41(4):- Bad Debts Recovery

If dedn of Bad debts is already allowed then recovery of Bad debts will be taxable in the year in which it is recorded even if Assessee is not doing the same business. Recovery is taxable only if Assessee who claimed the bad debts and recovered is same

Eg:- Mr BB sold goods to Mr Mannu for ₹ 5,00,000 in PY 23-24. Mr Mannu refused to pay the amt. AO allowed ₹ 3,00,000 as Bad debts.

— BB recovered ₹ 3,50,000 in PY 25-26.

Taxable Amt = Recovery - Disallowed earlier

350000 - 200000

= 150000

— Suppose in the above example recovery amount is 170000 → In this case nothing is taxable

— Suppose examiner provides that recovery is in final settlement of ₹ 170000 in above example. In this case nothing is taxable and ₹ 30,000 further Bad debts allowed to Assessee

6) Bonus and commission to employee → Allowed
[As per sec 43 B, it is allowed only if it is actually paid upto due date of Return filing]

Employer contribution

→ Statutory Provident fund → Unrecognised Provident fund
→ Recognised Provident fund → Unapproved Gratuity fund
→ Approved Gratuity fund → Unapproved super Annuation fund.
→ Approved super Annuation fund

→ fund as per law → Any other fund
↓ ↓
Allowed Not Allowed

As per sec 43 B, if it is allowed only if it is Actually paid upto date of return filing.

7] Employer contribution to pension u/s 80CCD / National Pension scheme / New Pension scheme

Deduction Amt

(i) Actual contribution xxx
(ii) 14% of salary xxx
whichever is lower

[salary = Basic + DA(T)]

As per sec 43B, it is allowed only if it is Actually paid upto due date of Return filing.

8) If any sum received by employer from employee as a contribution to Provident fund (PF) 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 subsequent month

9) Family Planning expenditure of employee

Ded^n allowed only to company

Revenue expense → 100% Ded^n

Capital expenditure → Allowed in 5 equal installments

10) Discount on zero coupon Bonds

— ZCB means bonds issued at discount and redeemed at par. Discount is allowed as ded^n on pro rata basis over the life of bonds [calender month]

Adani ltd issued 100000 ZCB on 1/11/2025 @ 80 per bond (FV is 100). Life of Bond is 12 months. Calculate discount allowed for PY 25-26.

Total Discount = 20 (100-80) × 100000 Bonds
= 2000000