$$\frac{2000000}{12 \text{ months}} = 166667 \times 5 \text{ months}$$

$$= 833333$$

11) Interest on loan

- Loan for Business / Profession purpose
  - Loan from schedule Bank (include co. op Bank)
    Public financial Institution (PFI)
    State financial corp (SFC)
    State industrial investment corp (SITC)
    Non Banking financial company (NBFC)
    → Allowed
    [As per 43B it is allowed only if it is Actually paid upto due date of Return filing]
  - Loan from other → Paid o/s → Allowed
- Loan for personal purpose → Not Allowed

12) Security Transaction tax and commodity transaction tax (STT and CTT)

→ It is allowed as dedn if Assesse engaged in shares or commodity trading business.

Sec 37 :- General Dedⁿ

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

1) Expenditure should be wholly and exclusively for Business or Profession purpose

2) Expenditure should be Revenue in Nature

3) Expenditure should be legal.

Note :- following expenses are treated as illegal and Not allowed.

a) For any purpose which is offense / Prohibited under any law in India or outside India.

b) To provide any benefit / perquisite to any person & Acceptance of such benefit by such person is violation of any law, rules, regulation. (Freebies to Drs)

c) To compound any offense under any law.

Eg (1) salary
a) salary to employee → Allowed
b) salary to working partner → Allowed
c) salary to sleeping partner → Not Allowed
d) salary to Directors → Allowed

2) Advertisement Expenses → Allowed

Note :- If Advertisement in the newspaper, pamplets, Brochures etc of Political party then it is not allowed

3) Diwali pooja exps / New office opening exps → Allowed

4) Gift to employees / customers → Allowed

5) Keyman Insurance Policy Premium → Allowed

6) Corporate social responsibility exp → Not Allowed (CSR exps)

7) Taxes

Taxes	Taxes	Interest	Penalty
Direct Tax (Income Tax) (including surcharge and HEE)	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 filing.

Penalty for Breach of Law → Not Allowed
Penalty for Breach of contract → Allowed

8) Other expenses
- → Telephone expenses
- → Printing expenses
- → Audit fees
- → Travelling expenses
- → sundry expenses etc

→ Allowed if it is for Business or Profession purpose

Sec 40 :- Amount specifically Disallowed

1) Sec 40(a)(i) :- Payment made to NR/Foreign company

Amount paid / credited to Non Resident or foreign company shall be 100% disallowed if :-
- a) TDS not deducted in PY OR
- b) TDS deducted in PY but not paid to Govt. upto due date of Return filing.

2) Sec 40(a)(ia) :- Payment made to Resident

Amount paid / credited to Resident person shall be 30% disallowed if :-
- a) TDS not deducted in PY OR
- b) TDS deducted in PY but not paid to Govt upto due date of Return filing.

Note :- If TDS deducted in subsequent year or deducted in PY but paid to Govt. after due date of return filing then such expenditure (100% / 30%) shall be allowed in PY in which TDS has been paid to Government.

— Exception of above section —

If any amount paid / credited and TDS not deducted but payee :-

a) Taken into Account such amount in Total Income and.

b) Has paid the taxes to govt. on total income and

c) filed his return of income and

d) Payer has furnished a certificate from CA (form NO 26 A)

then whatever amt (100% / 30%) disallowed earlier shall be allowed in PY in which payee furnishes his return of income

eg. BBVPLtd paid 500000 to AK sir on 29/7/2025 as a professional fees without deducting TDS. AK sir consider this amount in his income and he paid taxes to government and he has filed his return on 31/8/26. BBVPLtd obtain a certificate from CA

→ a) ₹ 150000 (50000 × 30%) expenses disallowed in PY 25-26 to BBVPL

b) ₹ 150000 expenses allowed in PY 26-27 (year in which AK sir files his return)

3) Sec 40(a)(iii) :- TDS on salary payment outside India or to NR in India.

Any salary paid outside India or to NR in India if

a) TDS not deducted OR

b) TDS deducted in PY but NOT paid to Govt upto due date of TDS payment then such salary shall be disallowed.

Note:- If TDS deposited late even by one day then also salary not allowed.

4) sec 40 (a) (v) :- Tax on Non monetary perquisite of employees

If any tax on Non monetary perquisite of employee is paid by employer from own pocket then such tax not allowed to employer.

5) sec 40A (2) :- Payment to Relative (specified person)

If any payment paid to relative then AO can disallow excessive or unreasonable amount.

	Assessee	Relative
i)	Individual	(spouse, mother, father, Brother, sister, linear ascendant, linear descendant)
ii)	HUF/AOP/BOI	Members and their Relatives
iii)	Firm/LLP	Partners and their Relatives
iv)	company	Directors and their Relatives

v.) Substantial Interest

Assessee

Any other person

Substantial Interest

Substantial Interest

company → 20% or more equity shareholding

Firm / LLP / AOP / BOI → 20% or more profit sharing Ratio (PSR)

vi)

Holding company TATA → Subsidiary company TCS

Holding company TATA → Titan Subsidiary company

TCS | Relative | Titan

6) sec 40A(3) :- cash payment more than 10000 to 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 cheque, Account payee demand draft, Electronic clearing system then such expenses shall be disallowed.

Note

1) If payment made to transporters, then this limit is ₹ 35000.

2) Any expenditure already is claimed earlier year on accrual basis, and if such expenditure is paid in subsequent year by cash, bearer cheque, cross cheque more than ₹ 10000 in a single day to a single person then dedn claimed earlier shall be withdrawn and is taxable as PGBP in year in which payment is made

— Exception :-

In the following cases cash payment is allowed

1) Payment made to Govt, Bank, RBI, LIC

2) Payment made to producer of Agriculture product, forest products, fish products, poultry products etc

3) Payment by Book entry (Adjustment)

4) Payment of Retirement Benefit upto ₹ 50,000

5) Payment made where banking facility is not available

6) Payment from employer 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 manufactured without aid of power in cottage industry.

9) Payment made to agent who is required to make payment in cash for G&S on behalf of Assessee.

7) Sec 40 A(7) :- Provision for Gratuity → Not Allowed

Note :- Any payment of Actual Gratuity or contribution to approved Gratuity Fund is allowed as dedn.

8) Sec 43B :- Exp allowed on payment basis

following exps are allowed only if it is actually paid upto the due date of return filing u/s 139(1).

1) Bonus and commission to employee

2) Any taxes, duties, cess, fees (IDT)

3) Employer contribution to SPF, RPF, AGF, ASF or any other fund under law.

4) Interest on loan taken from schedule Bank / including co-op bank PFI, SFI, SMC, NBFC

5) Leave salary (encashment of utilized leave)

6) Any sum payable to Indian railway for use of Railway Asset.

Note

1) If above payment is made after due date then expense is allowed in the year in which actual payment is paid

2) Any o/s interest is converted into loan, deb or any instrument then it is not treated as Actual payment Interest shall be allowed as ded^n in the year in which such installment is paid

Sec 43B (h) :- Goods or service purchased / procured from Micro / small enterprise

If any goods or services procured from micro or small enterprise then payment should be made within the time given u/s 15 of MSME Act, 2006 then exp will be allowed in current PY otherwise exp will be allowed in the year in which Actual payment is made

Time limit u/s 15 of MSME Act 2006

Within agreement between supplier and buyer	No Agreement
Date agreed in agreement [It shall not be more than 45 days]	15 days from acceptance of goods or service

* Meaning of Micro and small enterprise

	Micro	Small
Investment in P&M and Equipment and	upto ₹2.5 cr	upto ₹25 cr
Turnover	upto ₹10 cr	upto ₹100 cr

Eg 1:- BB Ltd purchased goods from Ganesh Ltd (small enterprise) for ₹15 lakhs on 2/3/26. As per agreement payment is to be made upto 30/4/26. However, payment was made as follows.

200000 paid on 30/3/26
400000 " " 6/4/26
300000 " " 15/4/26