4. Due date of Audit is one month before the due date of return filing.

Eg. suppose due date of return filing is 31/10/26 then Audit due date 30/9/26

5. As per sec 271B if Assessee fails to get A/cs Audited then penalty is applicable

(i) 0.5% of T/O or GR	xx
(ii) 150000	xx
whichever is lower	xx

* claim benefit of sec 44AD for 5 years subsequent to the year in which Assessee did not declare income as per sec 44AD.

Sec 44AD :- Presumptive PGBP for Business

a) Elegible Assese - Resident Individual / Res. HUF / Res firm (other than LLP.)

b) This section is applicable if Assesse is engaged in Business except
   (i) Profession
   (ii) Sec 44AE Business
   (iii) Agency Business
   (iv) Commission and Brokerage Business

c) This section is applica-ble if T/O is upto ₹ 2cr

Note :- if Amt rec'd during the PY in cash is upto 5% of Total T/O then limit is 3cr instead of 2cr

d) PGBP = Turnover × 8% *

* If T/O realised by Account payee cheque / DD / ECS upto due date of Return filing then 6% instead of 8%.

e) Assessee can declare higher income. If assessee declare income as per this section then he is not required to maintain BOA and get it Audited.

f) If Assessee declare lower income and his total Income (NTI) is more than basic exemption then he is required to maintain BOA and get it Audited

* g) If Assessee declare income as per this section in any PY and he does not declare in income as per this sec in any of the 5 consecutive PY then he shall not eligible to

Sec 44ADA :- Presumptive PGBP for Profession

a) Eligible Assessee :- Res. Individual / Firm (exclude LLP)

b) The section is applicable only if profession's gross receipt is upto ₹ 5000000

Note :- If Amt received during PY in cash is upto 5% of gross receipt of PY then limit is 75 lacs instead of 50 lacs

c) PGBP = Gross Receipt x 50%.

d) Assesse can declare Higher Income. If Assesse declare lower income and his total Income (NTI) is more than Basic exemption then he is required to maintain BOA and get it Audited.

Common points for sec 44AD and sec 44ADA :-

1) Ded^n u/s 30 to 37 not allowed (Assume it is deemed to be allowed)

2) Partner Remuneration and Interest not allowed.

Sec 44AE :- Presumtive PGBP for transporter

a) Elegible Assessee :- Any Assessee engaged in the Business OF Plying, Hireing, leasing of goods, carriages vehicles (Transporter)

b) PGBP =

(i) Heavy vehicle :- ₹1000 per ton OF Gross Vehicle weight or unladen weight as the case may be per month or part of the month
[Gross vehicle weight > 12 tons [12000 kg]]

(ii) Other vehicle :- ₹7500 per month or part of the month.

c) This section is applicable if Assessee owns max. 10 vehicles. If Assessee own more than 10 vehicle at any timed during the PY then this section is not applicable.

d) Income is calculated even if vehicle is not put to use but owned by Assessee

e) If Gross vehicle weight is not available then Assessee can take unladen weight.

f) Assessee can declare higher income in his return of Income.

g) If Assessee opting this sec then he is not required to maintain BOA and get it audit. However if assessee declared lower income then he is required to maintain BOA and get it audited

b) Dedn u/s 30 to 37, Not allowed (Assume it is deemed to be allowed.

i) Partner Remuneration and Interest u/s 40(b) allowed against income computed under this section

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Mr X

computation of PGBP

Sno	Vehicle	Acquired Date	Calculation	Income
1.	2	10/4/25	7500 x 2 vehicles x 12m	180000
2	1	15/3/26	7500 x 1 vehicle x 1m	7500
3	3	16/7/25	7500 x 3 vehicles x 9m	202500
4	1	2/1/26	7500 x 1 vehicle x 3m	22500
5	2	29/8/25	15000 x 2 vehicles x 8m	240000
6	1	23/2/26	15000 x 1 vehicle x 2m	30000
			PGBP as per sec 44 AE	682500

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Rao and Jain Firm PY 25-26 AY 26-27

Net profit as per P&L A/c	1700000
-(i) Depn as per sec 32	(150000)
(ii) Interest to partner (500000 x 12%)	(60000)
Book Profit	1490000

- Rem. as per sec 40(b)

(i) Allowable Remuneration

first 600000 x 90% or 300000

~~Higher~~	540000	
Balance BP 890000 x 60%	534000	
	1074000	
(ii) Actual Rem. (40000 pm x 2 partners x 12 m)	960000	960000
PGBP		530000

Sec 40(b) :- Remuneration and Interest by Firm / LLP to Partners

Rem. and Interest shall be allowed if followings conditions are satisfied

(i) Remuneration should be paid to working partner

(ii) Rem & Int. should be authorized by Partnership deed.

(iii) Rem & Int should relate to period following after the date of partnership deed it means it should be prospective and not retrospective

(iv) Interest on partner capital and loan allowed max 12% per annum simple Interest.

(v) Rem. allowed on Book Profit Bases

Book Profit [PGBP just before Rem.]

First 600000 of B.P. → BP × 90% OR 300000

Balance BP × 60%

xx

Max Allowable Rem.

Calculation of Book Profit

Net Profit as per PGBP	xxx
Add :- Remuneration (if debited to P&L A/c)	xxx
	xxx
Less :- Dep^n of CY + unabsorbed dep^n	(xxx)
Book Profit	xxx

→ Remuneration and Interest

Allowed 40(b)

Transfer (PGBP)

firm / LLP

Partners

Disallowed / share in profit

Exempt u/s 10(2A)

Remuneration / Interest

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firm PY 25-26 AY 26-27

Computation of PGBP

Net Profit		700000
Add:- Rem. to Partner A (sleeping partner)		60000
Interest to Partner D (12% Disallowed)		18000
$\left(\frac{36000}{150000} \times 100\%\right) = 24\%$		
		778000
Add:- Rem. to part B & C (80000 + 90000)		170000
Book Profit		948000
Less:- Rem. Allowed u/s 40(b)		
(i) Actual Rem.	170000	
(ii) Max Allowable	748800	(170000)
PGBP		778000

BP = 948000

first 600000

(i) 600000 x 90% = 540000
ii) 300000
540000

Bal. BP
348000
x 60%
208800

Total Allowable Rem = 748800

Computation of PGBP of Partner

	A	B	C	D
Rem	Exempt	80000	90000	—
Interest	—	—	—	18000
PGBP	—	80000	90000	18000

Sec 145(1) : Method of Accounting

For computing an IPOS, Assessee can follow cash method or accrual system of Accounting.

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Calculation of Book Profit

NP as per P&L A/c		2586000
(-) Int on capital (15L × 12% × 2)		(360000)
(-) Revenue exp on scientific research		(240000)
(-) capital exp on scientific research		(345000)
(-) CY Dep^{n}		(470000)
(-) unabsorbed dep^{n}		(52000)
(-) unabsorbed capital exp on scientific research		(85000)
Book Profit		10,34,000
(-) Rem to Partners		
(i) Actual Remuneration (40000 + 50,000) × 12	1080000	
(ii) Allowable Interest	800400	(800400)
		233600