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Presumptive Taxation

छोटे businessman professionals के लिए क्या scheme है।

* Meaning of expenditure allowed or disallowed

→ ALLOWED : जो expenditure I. Tax के P&L में debit होगा।

Already Debited by Companies Act

To be debited by Companies Act

A/c वालो ने debit कर दिया है & I. Tax में भी debit होगा।

जो A/c वालो ने debit नहीं किया but हमें debit करना है।

i.e. Exp. Allowed

i.e. Exp. Allowed

→ DISALLOWED : जो expenditure I. Tax के P&L में debit नहीं होगा।

Already Debited by Co. Act but not allowed as per I. Tax Act.

जो expenditure other information में है but हमें debit नहीं करना।

i.e. Exp. Disallowed

i.e. Disallowed

•> Section 28: Charging Section

Following income shall be taxable under the head PGBP.

1. Any profit or gain of any Business / Profession.
2. Profit on sale of import entitlement license (IEL)
3. Cash compensatory support or duty drawback. (CCS/DBK).
4. Profit on sale of DEPB [duty entitlement pass book scheme] or duty free replenishment (DFRC).
5. Any amount received under Key-man insurance policy.
6. Any gift / benefit / perquisite arising due to business or profession.
7. Any interest, salary, bonus, commission received by partner from partnership firm to the extent allowed u/s 40(b) to firm.
8. Non-compete fees [not carrying out any activity in relation to any business or profession or not sharing any know-how, patent, copyright etc.
9. Income derived by a trade, professional or similar association from specific service performed by its member.
10. FMV of inventory as on the date on which it is converted into capital asset. (clause (via) [Added by FA 18])
11. Any compensation or other payment due to or received by, any person, at or in connection with the termination or modification of the terms and conditions, of any contract relating to his business.

Remarks

Accordingly, any compensation received or receivable, whether revenue or capital, in connection with the termination or the modifications of the terms and conditions of any contract relating to its business shall be taxable as business income.

Speculation Business

It means a transaction in which a contract for the purchase or sales of any commodity including stocks and shares is **periodically or ultimately settled** otherwise than by the **actual delivery** or transfer of the commodity or scrips.

•> Transaction not deemed to be Speculative transaction

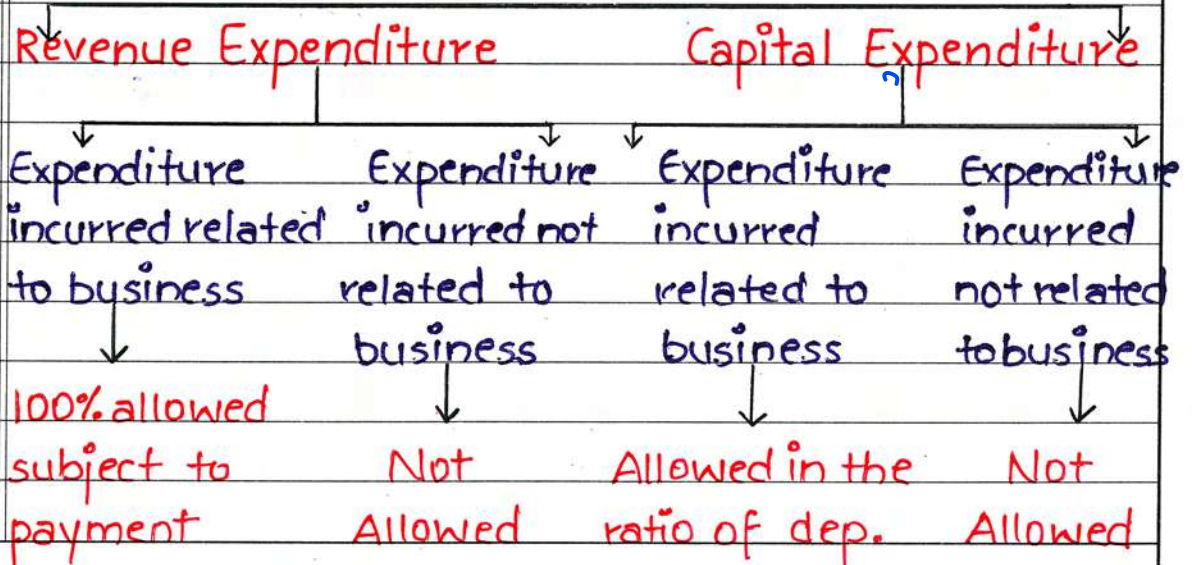
a.) Forward Contract

Trading in commodity derivatives through recognized association, which is chargeable to commodities transaction tax (CTT). However, the requirement of chargeability of CTT is not applicable in respect of trading in agricultural commodity derivatives from A.Y 2019 - 20.

➤ Section - 29: How to compute PGBP Income

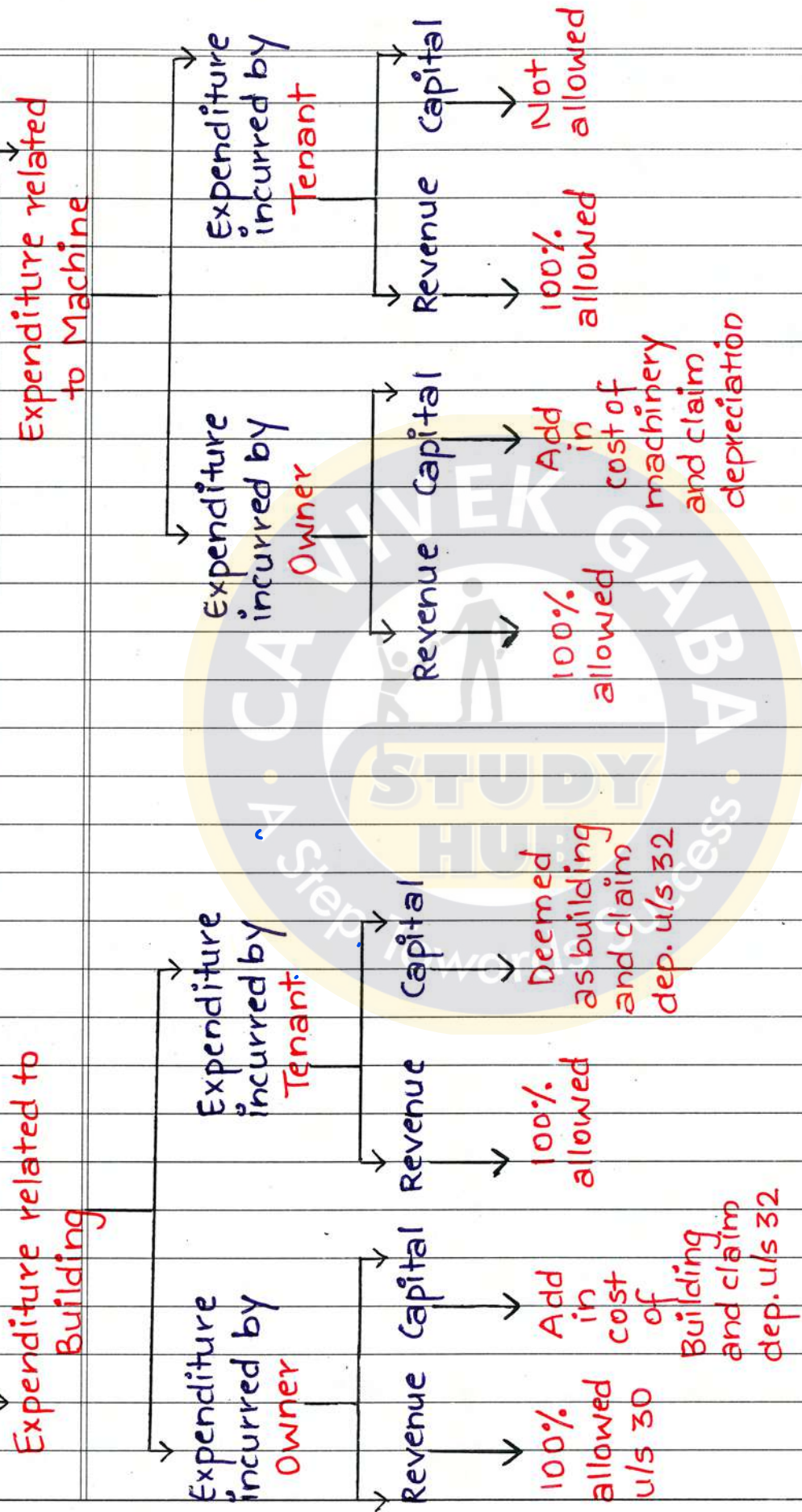
Particulars	Amount
Net Profit as per P&L A/c of Co. Act	xxx
ADD: जो expenditure debit किये हुए थे but debit नहीं होने चाहिए थे।	xxx
LESS: जो expenditure debit होने चाहिए थे but debit नहीं किये हुए थे।	xxx
ADD: जो income credit होने चाहिए थी but credit नहीं की हुई थी।	xxx
LESS: जो income credit की हुई थी but credit नहीं होने चाहिए थी।	xxx
Income From PGBP	xxx

➤ Types of Expenditure



Remarks

Section 30 and 31: Expenditure related to building and Machine.



Remarks

➤ Section 32(i)(ii) : Depreciation

Depreciation shall be allowed on **tangible and intangible asset** subject to following **conditions**:

1. Asset is **owned** (wholly or partly) by the assessee &
2. Asset is ***used** for the purpose of business and profession.

Depreciation shall be allowed on **WDV** on block of assets at prescribed rates.

*** Used means when the asset is actually put to use.**

NOTE: ~~Goodwill is an intangible asset and depreciation is allowed on same.~~ [Now Goodwill is Non-depreciable Asset. Treatment uln Capital Gains]

FOCUS AREA

1. Depreciation is allowed if assessee is **beneficial owner**.
2. In case of lease, depreciation is always claimed by **lessor** whether it is Financial Lease or operating lease. [CBDT circular]

In case of Hire Purchase, assessee gets the ownership only after payment of last instalment but he can claim depreciation from beginning, assuming assessee is the owner from beginning.

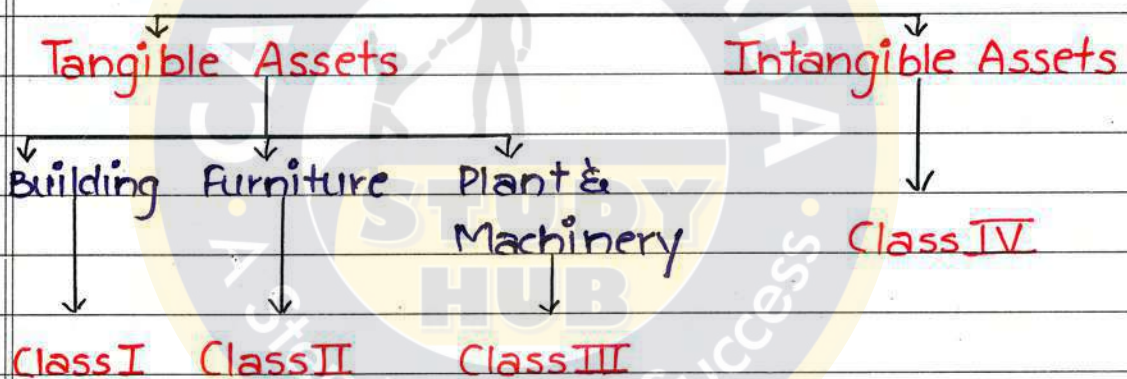
3. Depreciation on asset partially owned by the assessee shall be allowed to him to the **extent** of his share in asset.

4. Mandatory to claim depreciation for **all assessee**. Depreciation is allowed even if cost is **less than ₹ 5000**

Remarks

6. Depreciation rate for computers accessories is 40% i.e. UPS, printers, scanners etc.
7. Depreciation allowed when asset is actually put to use and not ready to use.
8. As per section 43(3) plant includes ships, vehicles, books, scientific apparatus and surgical equipment used for business or profession but does not include Tea bushes, Live-stock, building, furniture and fittings.

•> Types of Depreciable assets

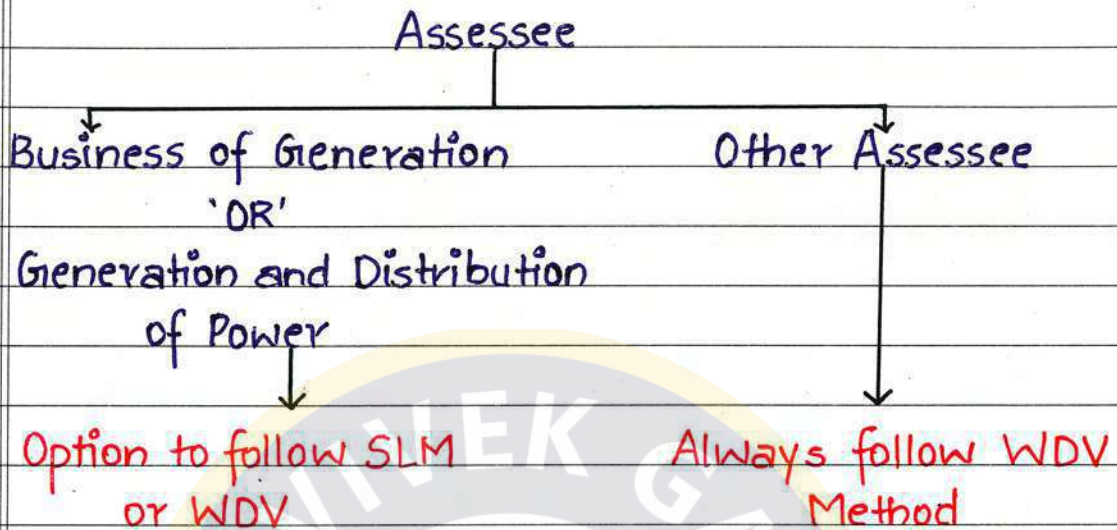


•> Few depreciation rates, for other refer book.

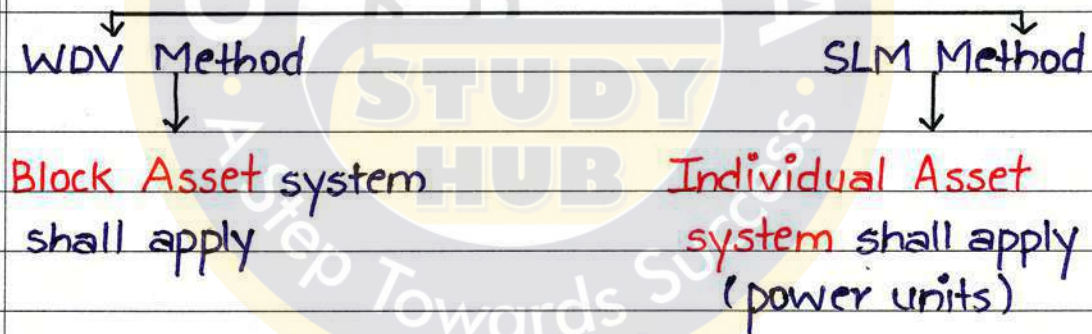
Particulars	Rate of Depreciation
• Plant and Machinery (General)	15%
• Building (General)	10%
• Furniture and Fixture	10%
• Intangible Assets does not include Goodwill	25%

Remarks

➤ Method of Depreciation



➤ System of Depreciation



→ Block of assets means "Group of assets having same rate of dep within the same class of Asset.
Block of Asset = Same Rate + Same Nature

→ Individual Asset System : Depreciation calculated on Individual Asset - Same as Accounts.

Remarks

➤ Proviso to Section 32(1)

Depreciation shall be **restricted to 50%** of depreciation allowed if asset is **put to use for less than 180 days** in **year of acquisition**. In other words, restriction shall be applicable only in the year of acquisition

➤ Proviso to Section 32(1)

In case of **succession or amalgamation** or demerger, depreciation is allowed to predecessor and successor in the **ratio of no. of days** for which assets were used by them in the P.Y when succession or amalgamation or demerger takes place. Depreciation to be **apportioned** shall be computed assuming that **succession has not taken place**.

➤ Section 38(2): Assets partly used for other purpose and partly used for business purpose.

If asset is not exclusively used for the purpose of Business/Profession then deduction u/s 30, 31, 32 shall be **restricted to** a proportionate part as determined by A.O

Example:

Opening WDV of P&M (01/04/18) = 4,00,000

Suppose P&M 70% used for business purpose and 30% used for personal purpose.

Dep. @ 15% = ₹ 60000	Block of Asset ₹
\swarrow \searrow 70% 30% ₹ 42000 ₹ 18000	Opening WDV = 4,00,000
Allowed Disallowed	(-) Dep. actually allowed = (42000)
	Closing WDV <u>358000</u>

→ Section 43(1): Actual Cost

Actual cost of asset **means**

Particulars	₹
Cost of asset (Purchase Price)	xxx
+ Installation Charges	xxx
Transportation expenses for asset	xxx
Trial run / test run expenses	xxx
Taxes & Duties if ITC not available	xxx
Interest on loan taken for acquisition of asset upto the date of asset put to use	xxx
	<u>xxx</u>
(-) Amount recd. on sale of trial run product	(xxx)
	<u>xxx</u>
(-) Subsidy / Govt. grants recd. for acquisition of assets	(xxx)
Actual Cost	<u>xxx</u>

Remarks