

→ Ammendment

Where an assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an a/c payee cheque or a/c payee DD or use of electronic clearing system, exceeds ₹ 10,000 such expenditure shall not form part of actual cost of such asset.

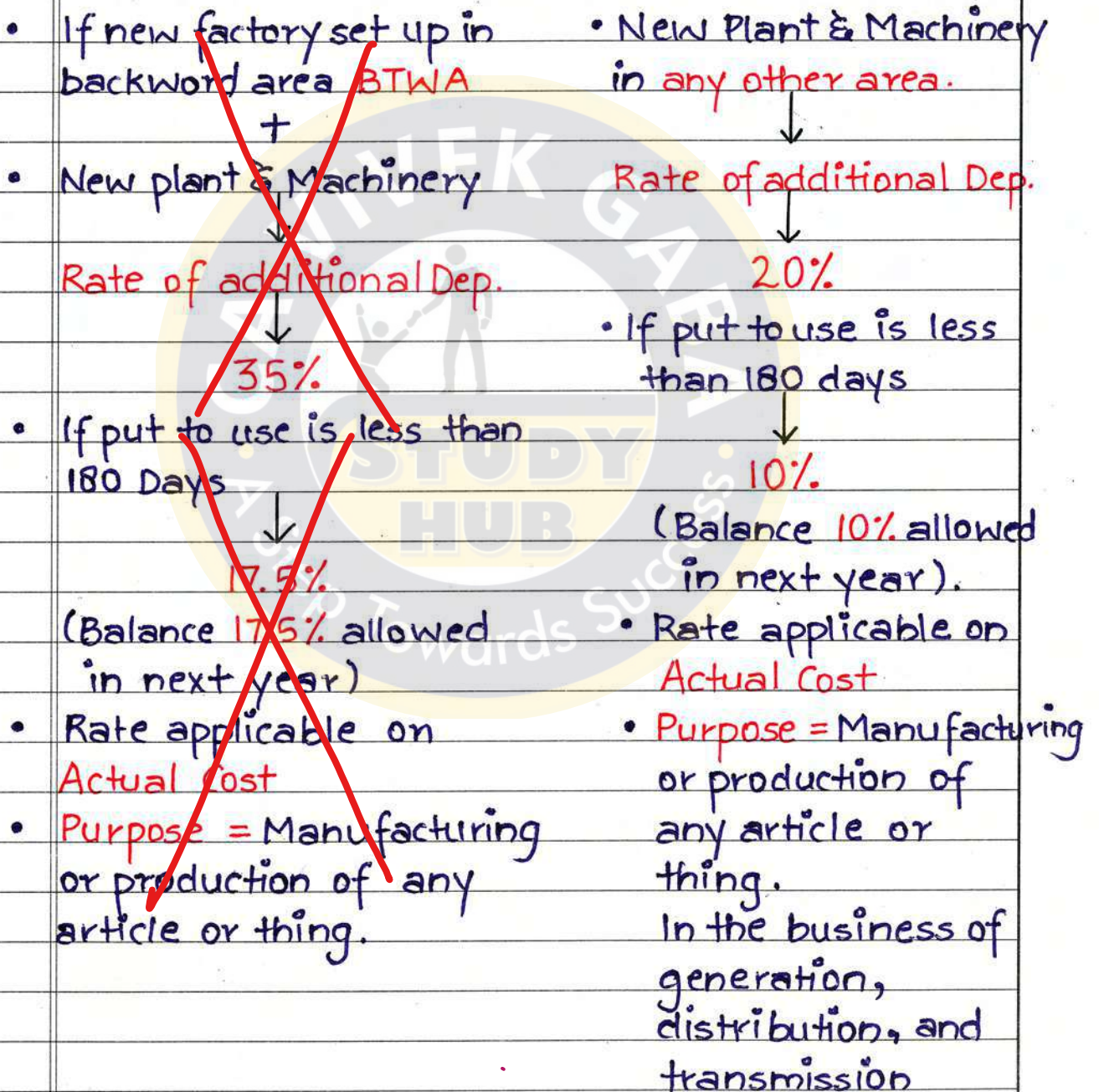
•> Explanation to Sec. 43(1) : Actual cost in Special Cases:

Cases	Actual Cost
• Asset previously used for scientific research brought in to regular business.	Actual cost = NIL (because deduction already claimed u/s 35.
• Stock converted into capital asset & used for Business or Profession	FMV on the date of conversion
• Actual cost allowed as deduction u/s 35AD and capital asset transferred to non-specified business after 8 years from the year of acquisition or transfer by way of transaction referred in Section 47	Actual cost for transferee shall be NIL .

Remarks

•> Section 32(1)(iia): Additional Depreciation

- Eligible Assessee : All assessee
- Eligible Asset : New plant & Machinery except ship & aircraft



Remarks

FOCUS AREA

- Any **second hand** machinery or plant is **not eligible** to claim additional depreciation.
 - Any plant and machinery installed in any **office premises** or residential accomodation is **not eligible** to claim add. dep.
 - Any **Office appliances** or road transport vehicles where plant and machinery, the 100% of actual cost is **already allowed** as deduction u/s 35 is not eligible to claim add. dep.
- Additional depreciation is allowed only in **first year** in which asset is put to use.

➤ Section 32AD : Investment Allowance

- **Eligible Assessee** : All assessee
- **Eligible Assets** : New plant & Machinery (except ship and aircraft).
- **Condition for Investment Allowance** : New factory or undertaking setup
- **Rate of Deduction** : 15% of actual cost
- **Allowed from** : Ready to use
- **Proviso to Sec. 32(1)** : Not applicable (Less than 180 days)
- **Investment** : In Backward area (BTWA)
- **32AD not allowed** : In case of power generation / distribution / transmission

~~Deleted~~

- **Lock-in-period** : The asset should be held for a period of 5 years, if sold within 5 years, sales consideration is taxable u/h PGBP of the year when sold.

~~Deleted~~ However, this restriction shall not apply to the amalgamating or demerged company or the predecessor in a case of amalgamation or demerger or business reorganization referred to in section 47(xiii), 47(xiiib) and 47(xiv), within a period of 5 years from the date of its installation, but shall continue to apply to the amalgamated company or resulting company or successor, as the case may be.

FOCUS AREA

- Deduction is in addition to depreciation & additional depreciation & investment allowance u/s 32AC.
- Deduction u/s 32AD shall not be reduced from WDV of block of asset.
- There is no condition that Plant and Machinery should be actually put to use.
- Deduction is not available for power generating units.
- Proviso to section 32(1) shall not be applicable i.e. there shall be no restriction of 50%.

Section - 50: Special Provisions in case of depreciable assets

BLOCK OF ASSETS

Picture abhi baki hai mere dost



→ WDV = 3500000
1/4/18

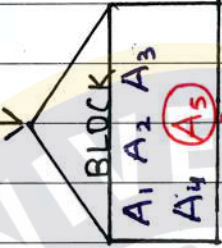
Purchased on 20/6/18 & P.T.U on same day

Three assets sold from block of assets.

* CASE-I = 3000000
WDV = 3500000
+ Purchase = 1500000

5000000
- Sale = 3000000

Picture Khatam ho chuki hai mere dost.



Purchased on 20/6/18 and P.T.U on same day = 1500000

* CASE-I = 3000000
WDV = 3500000
+ Purchases = 1500000

5000000
- Sales = 3000000

Remarks

STCL = 2000000

* CASE - III

W.D.V = 3500000

+ Purchases = 1500000

5000000

- Sales = 5000000

STCG/STCL = Nil

* CASE - III

Sale Price = 6000000

- Total cost = 5000000

1000000

W.D.V does not exist in any of the above case.

W.D.V = 2000000
No STCG/STCL

* CASE - II = 50,00,000

W.D.V = 3500000

+ Purchase = 1500000

5000000

- Sales = 5000000

W.D.V = Nil

No STCG/STCL

* CASE - III = 6000000

W.D.V = 3500000

+ Purchases = 1500000

5000000

- Sales = 5000000

W.D.V = Nil

Capital Gain = STCG

S.P = 6000000

- Total cost = 5000000

1000000

Remarks

•> Section 43(6) : Written Down Value of Block of Assets

	Particulars	Amount
	WDV at the beginning of the year	xxx
Add :	Actual cost of assets acquired	xxx
Less :	Sale consideration on sale of asset.	xxx
Less :	WDV of assets transferred in slump sale	xxx
	WDV of block for assessment year	<u>xxx</u>

* It shall be restricted to WDV of block of Assets.

NOTE -1 Sale consideration is only value of asset and never FMV of asset received as insurance claim. Insurance compensation shall be deducted.

NOTE -2 Depreciation shall be allowed on stand-by equipment.

Remarks

→ Section 32(1)(i) + 32(i)(iii) + 41(2) + 50A : Special provisions relating to power generating undertakings.

- Eligible Assessee : Electricity Company
- Option : SLM or WDV

→ If opt SLM;

Provision follow :- 32(1)(i) + 32(1)(iii) + 41(2) + 50A

→ If opt WDV;

Provision follow :- 32(1)(ii) + 32(1)(iia) + 50

→ Concept of SLM method u/s 32(1)(i)

$SP < WDV$	$SP > WDV$	$SP > Cost$
↓	↓	↓
Balance = Terminal Dep. u/s 32(1)(iii)	Balance = Balancing charge u/s 41(2)	Balance = STCG/ STCL u/s 50A

Example :

Assume company opt SLM method.

Cost of asset = 8000000

Rate of dep. = 10%

After 6 year asset is sold.

Sale price are as follows :-

CASE-I	15L	S.P < WDV	15L < 32L	17L	Terminal Dep.
CASE-II	60L	S.P > WDV	60L > 32L	28L	Balancing Charge
CASE-III	110L	S.P > Cost	110L > 100L	30L	STCG

➤ Section 32(2): Set off and carry forward of unabsorbed depreciation

→ **Set-off** - current year depreciation can be set off against any head of income **except** salary & lottery income.

→ **Carry Forward of Loss** - Depreciation to the extent not set off shall be carried forward **indefinitely** even if business is discontinued. It can be carried forward **even if** return not filed or filed after due date.

Priority of set off

- Current year depreciation.
- Bought forward business losses.
- Bought forward depreciation

Depreciation can be carried forward by same assessee. Few **exceptions** are there ; Firm to Co., Proprietorship concern to co., amalgamation, demerger, company to LLP.

•> Section 43CA : Full value of consideration for t/f of assets other than capital assets

1. Where consideration for transfer of asset (other than capital assets) being land or building or both is less than *110% of stamp duty value (SDV), then SDV adopted or assessed or assessable shall be deemed to be full consideration for computation of income u/h PGBP.

120% in special cases



1/1/88 t/f between

12/11/20 to

30/6/20



2. Assessee claims SDV exceeds FMV and value is not disputed, AO may refer computation of value to valuation officer.

② First time allotment

Valuation officers Value

③ Consideration upto 2 cr.

Exceeds SDV, then SDV is taken as Sales Price.

Lower than SDV, then valuation officers value shall be considered.

3. In the hands of buyer, purchase price = contracted price.

FOCUS AREA : If date of agreement and date of registration is not same, then the SDV on date of agreement shall be taken as sale consideration if consideration or part there of has been received on or before the date of agreement by way of Alc payee cheque, draft or E.C.S. In all other cases SDV as on date of registration shall be deemed as Sales Price.