Business" includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.
Profession involves an exercise of intellect and skill based on learning and experience.

Any income from the above will be PGBP.

Income not included :-

interest, salary, bonus, commission or remuneration by whatever name called.

Speculative business:-

Any income from speculative business is transferred to speculative business account and its losses are also set only against Speculative business.

While calculating the income of PGBP, these things must be considered :-

a) Profits chargeable to tax are computed on the basis of commercial principles including generally accepted accounting principles and practices.

(b) Only profits or gains are liable to income-tax and not mere gross receipts. Capital receipts and Capital

- It expressly provides in the provisions of the Income Tax Act.

(c) Taxable profits or gains should be real and not notional.

Business Income Not taxable under the head PGBP:-

1. Rental Income in case of dealer in property…….. It will be accounted as Income from House Property.
2. Dividend on shares in case of dealer in shares……… Income from other sources.
3. Winning from lotteries, even though it's regular activity….. Income from other sources.

Accounts are maintained on two principle basis :-

Mercantile- In this case Income will be taxed on basis of accounting year.

Cash System – In this case Income & expenditure actually paid or received, It doesn't matter whether they belong to same accounting year or not.

Computation of Income from Business

Net Profit as per Profit & Loss Account	**xxx**		
Add **: items already debited in P/L A/c but not eligible for deduction]**		**xxx**	
Less **: Incomes Credited in P/L A/c to be treated separately under difference heads of income**			**(xxx)**
Less **: Expenses allowed as per Provisions**	**(xxx)**		
Income from Business	xxx		

Computation of Income from Profession

Receipts relating to Profession (on Cash Basis)	***Less*** **: Payment relating to profession (both cash and accrual basis)**	Income from Profession
xxx	**(xxx)**	xxx

Expenses which are allowed as deduction :-

The main basic rule is one has to incur expenditure to avail the deduction.

- **RENT, RATES, TAXES, REPAIRS AND INSURANCE FOR BUILDINGS**
  - **Even he is a tenant**
  - **Or not a tenant.**

- **REPAIRS AND INSURANCE OF MACHINERY, PLANT AND FURNITURE**
- **DEPRECIATION**
  - **Asset can be tangible or intangible.**
  - For calculating depreciation the owner must enjoying the right of the owner or should be the owner.

- Building Residential 5 %
- Office,factory,godown, any kind of **f**urniture 10 %
- Motor Car or any kind of plant and machinery 15%
- Bus,lorries,car on hire 30%
- Computers 60%

Written down value of the block of assets at the beginning of the current year	***
Add: Actual cost of assets falling within that block, acquired during the Previous Year.	***
Less: Any asset sold/discarded/demolished destroyed during the Previous Year	***
Written down value	***

Written down value cannot be negative i.e. it shall be reduced to 'nil' in the following situations :

1) Where the block of assets ceases to exist means we have sold all the assets in the block
2) Where a part of the block is sold and the sale consideration of the assets sold exceeds the value of the block.

ADDITIONAL DEPRECIATION:

- depreciation @20% of the actual cost of new machinery and plant
- but not ships and air craft

If asset is used for less than 180 days, then depreciation should be restricted to 50% of the rate applied.

Terminal depreciation :-

(a) Applicable for any undertaking engaged in generation or generation and distribution of power;
(b) It must be a depreciable asset, on which depreciation is claimed on straight line basis;

(c) Such depreciable asset, is sold, discarded, demolished or destroyed in a previous year

If there arises:
(i) Loss on Sale = Terminal Depreciation;
(ii) Gain on Sale= Balancing Charge.

The difference will be dealt according to capital gain (Section 45)

Note:-

When occupation of residential quarters by the assessee's employees is necessary for the business, then it will considered as occupied by the owner for the purpose of his business. Depreciation will be allowed on such building as well on furniture and other assets.

REGARDS

RENU